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FBIS-EEU-95-104 *31 May 1995*

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Improved Relations With Greece Ascribed to U.S.

AU3005114195 Tirana KOHA JONE in Albanian 27 May 95 p 3

[Commentary by Frrok Cupi: "Washington Relocates to Kakavije"]

[FBIS Translated Text] Many people have been taken aback by the way in which the shattered relations between the Albanian and Greek Governments have been reconstructed. How was this done so fast, almost by surprise, as if some extraterrestrial hand had laid its blessing on the border crossing between the to states? After that unaccountably tense situation, the cup of the Albanian Government now overflows with honey to such an extent that President Berisha himself begged Greek officials to invite him for a visit. Of course, we Albanian citizens savored this step by the president, because it was a sore point about which we did not wish to tease him any more. Nevertheless, it was an unprecedented step. Never before had it happened that a senior statesman should suggest that other parties might invite him to their country. Nevertheless, the extraterrestrial hand was evident here too. It was now even clearer that Washington was involved in this matter, as the press had often stated.

Only two days before, an accurate report was spread that "American month" was to be organized in June in Thessaloniki, a Greek city virtually on the Albanian border but also on the border with other Balkan states. Former U.S. President George Bush himself will go to Thessaloniki on 11 June, and will deliver the opening speech at the inauguration of the branch of Eurobank. The former president, whom President Berisha has praised as one of the great men of the century, will be interested in the progress of relations between Greek and Albanian businessmen. In the same context, Domenic Scaglione, chairman of the Albanian-American Fund, will be in Thessaloniki specifically to see how matters between Greek and Albanian businessmen are moving. On 23 June, the first official meeting of members of the Inter-Balkan Businessmen's Council, including representatives of Albania, will also be held in Thessaloniki.

This then is the invisible hand that was laid on the border between Albania and Greece. However, we mention this today not merely in order to see how the puzzle turned out. What is interesting is to analyze what is happening behind the scenes of Albanian politics, to find out which section is in decline, which is rousing itself, which is dying, and which may rise again tomorrow to confront some evil ghost.

1. Albanian foreign policy, attacked as part of the folkloric politics of the Albanian state, fell prey to this kind of error particularly in relations with Greece: It fought with all the means once used when men on both sides of the border still wore kilts. It never occurred to the physicians and folklorists of Albanian foreign policy that foreign policy requires up-to-date tools, and that when one side recites a poem from the period of the national revival, the other side ups the currency exchange rate. When the members of our government spouted anti-Greek declarations, they did not understand that their words were transmitted instantly to the Greek-American lobby in Washington itself. When they understood this, they were obliged to beg for "an invitation to visit."

2. U.S. policy, like the policy of civilized Europe, is not a policy of settling quarrels between estranged parties according to tribal law. The Albanian Government had conceived the quarrel with the Greeks in these terms: "The Americans will come and we as the underdogs will appeal to them, and they will judge in our favor." However, this is not the politics of civilized people, who act to promote prosperity and to develop civil society. In this case, U.S. policy chose the variant most pleasing to the Albanians and the peoples of the Balkans, i.e. the road of investment.

3. Will help and support be forthcoming for Greek investors, who may be the only ones attempting to penetrate Albania today? Of course, Washington will solve this problem too, perhaps this time round via Thessaloniki. However, the Albanian Government on the one hand seeks investors but on the other hand fails to create favorable working conditions for genuine Greek investors. They are deprived of the very first thing they need, namely an entry visa to Albania. How will they invest, how will they install their machinery, and how will a foreign investor supply and sell when he is not allowed to enter Albania? This is before we think of conditions to guarantee the billions of drachmas to be poured into the country. What is this hesitation on the part of the Albanian Government?. Is it not simply a throwback to the days of the freeze? It is not only this. Albanian policy is still under pressure from the Islamic currents that once warmed it. We now see the occasional politician who once accompanied the president to Saudi Arabia being expelled from the party. This is no accident, but an example of how the head of state is obliged to turn his back on this former choice. However, the head of state must seek to keep his hands free hands, and not wait for Washington and the Thessaloniki meetings to come to solve this problem too.

4. The improvement in relations between Greece and Albania, based on mutual economic and financial interests, is a very valuable warning signal against the nationalist

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excesses of empty-headed people who know no better than to say "the Greeks came and took our land." Times have now changed, and our president himself, when he goes through Europe, speaks the political language that the times and modern civilization demand, talking about the inviolablity of borders and so on. Meanwhile, the opposite has happened at home. Albanians now have the chance to see the emptiness of past slogans, This is an opportunity for people to learn not to be taken in easily by the ultranationalist slogans of certain "saviors of the nation" who call for purity and no mutual interests with our neighbors. This is a chance to see that the government of any country must bow its head before the people's concrete interests.

It seems that Washington's policy has established itself at Kakavije and other points in the Balkans to teach this lesson.

Berisha on 100 Days in Office, 'Successes'

AU3005185395 Tirana TVSH Television Network in Albanian 1800 GMT 26 May 95

[Report on news conference by Albanian President Sali Berisha on 26 May by Amalia Dhamo; place not given]

[FBIS Translated Text] From an analysis of facts and developments, one can confirm with pleasure that, during the past 100 days, the pace of the reforms enjoyed a real acceleration and a series of important goals in the Democratic Party [PD] program were carried out in conformity with it, the president of the Republic of Albania, Sali Berisha, declared at the start of a news conference today.

In reference to facts, President Berisha then mentioned a series of laws and decrees passed by the government and parliament that have made it possible for the reform to mark important developments during this period, such as the penal code, the code of penal procedure, the law on the new system of taxation, the law on value-added tax, the law on notaries, the decrees to emit privatization bonds and the privatization of medium and large enterprises through securities, the law on transforming state enterprises into trade companies, the law on the state budget, the decree on reducing obligatory military service to one year, the law on the privatization of pasture land, forests, etc.

During these 100 days, Albania has marked important, even historic, achievements in approaching and cooperating with its friends and traditional allies and its integration into Europe, Berisha continued.

Berisha then mentioned the visits of many European personalities to Albania and high-level meetings, as well as the support of the French Government, after it took over the presidency of the EU, for opening negotiations on an association agreement between Albania and the EU. Berisha mentioned the unanimous vote at the Political Commission of the Council of Europe for Albania to join that council, as well as the fact that, during these 100 days, Albania signed about 200 cooperation agreements in the fields of economy, trade, finance, transportation, tourism, investments, culture, science, telecommunications, public order, consular services, as well as three protocols in the military field.

[Begin Berisha recording] In these 100 days, Albania marked great and historic steps forward on its road toward integration into Europe and its approach toward its friends and allies. Albania's participation in the World War II celebrations as a democratic country and its representation by the forces that toppled the dictatorship constitute another great achievement for Albania and the Albanians. The fact is that democratic Europe shunned and punished those who perpetrated a 50-year genocide against their people and, at the same time, punished the left-wing extremists who boastfully trumpeted themselves as their followers. Democratic Europe does not, and will never, honor those who practiced genocide against their own people. By their positiions,the left-wing extremists only denounced themselves as advocators of genocide.

During these 100 days, important and undeniable achievements have been made in the economic sphere and in the reforms. During this period, the registration of the populace for privatization bonds was completed; privatization bonds were issued; the distribution of the privatization bonds started; and 810 enterprises were privatized, of which about 70 percent were by auction and about 80 percent of the overall amount was paid by securities. The increase in inflation is 50-percent lower that the same period last year. Mining and energy production increased 8 percent compared to the same period last year. Exports rose by 48 percent, while imports rose 34 percent compared to the same period last year. Salaries increased by 10 percent generally. Citizens' bank deposits increased by 17 percent. A series of economic agreements were signed. The implementation of several projects for streets, construction, aqueducts, irrigation, telecommunications, etc. have already started. On 10 May, the state debt commission reached an agreement with the foreign banks committee. [end recording]

Continuing, Berisha stressed that the government had taken strict and successful measures to prevent the violation of the embargo [against the Federal Republic of Yugoslavia] and illegal border crossings, to reduce breaches by 3 percent compared to last year. He stressed

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that in these 100 days, Albania carried out the first maneuvers with the main NATO states.

Concluding, Berisha said:

[Begin Berisha recording] All these achievements are the fruit of a deft cooperation between the Democratic Party, the parliamentary group, the government, and institutions. These accomplishments testify to the fact that the negative approach is a successful alternative because the machinery of the reform is working at high speed. These achievements testify to the fact that we are building, and that this alternative is successfully setting up the state of law and the market economy through a strict implementation of the goals of the PD program. These successes bear witness to the fact that the constructive approach is the best response to the lack of alternatives by those who instigate tension for the sole reason that they have no options. The other result was that [words indistinct] governments [word indistinct] in shadow, they were created in December and have not emerged from the winter.

When I talked about the victories of the PD, I meant, and I always mean, victories in the most legal and democratic ways that we have experienced since the day this party was founded. Thus, there is no doubt at all that we are, and will be, determined to win the 1996 elections in a democratic way by realizing the goals and presenting an alternative to the Albanians that they will see as the best alternative, just as we are determined to accept, and have repeatedly accepted, the verdict of the people as a resolute verdict in a democratic system. [end recording]

President Berisha then answered the questions of many correspondents.

PDD Chooses Kalakulla as New Leader

AU3005113695 Tirana KOHA JONE in Albanian 28 May 95 p 3

[Article by Emin Barci: "Kalakulla Defeats Baleta"]

[FBIS Translated Text] Kalakulla has now won a mandate as chairman of the Democratic Party of the Right [PDD] and Baleta is completely out. These were the most important decisions of the PDD National Conference yesterday. It took nine hours to settle the dilemma of choosing between Kalakulla and Baleta. The meeting took place in one of the lecture halls of the Fine Arts Institute. In contrast to the aktiv of 27 April, at which there were attempts to storm the meeting by force, there were no incidents on this occasion. Baleta kept his word, having said two days previously that he would not take part in the conference. Even those of his supporters who came did not create any problems for the normal conduct of the meeting. Nevertheless, police forces were ready to intervene at any moment. Journalists were kept well out of the hall where the proceedings were held.

The Steering Committee's report was presented by Petrit Kalakulla, its chairman. In the report he stressed once again the party's anticommunist line and its struggle to protect the interests of former proprietors, who, according to this party, are a majority of the Albanians. The divisive and malevolent activities of Abdi Baleta and company had their place in the report. There was tough talking during the debate. A number of speakers opposed the standpoints of Kalakulla and the Steering Committee toward Baleta and his followers. They said that Baleta should be at the conference so he could conclusively refute the charges. However, it must be said that the majority supported his expulsion from the party. Delegates from Pogradec and a number of elected representatives from Durres, who had long ago declared that they would not take part because they are totally behind Baleta, were not present at the conference. At the end of the conference, certain delegates from Shkoder whose candidate for party chairman was not accepted left the hall in protest. After many long speeches, the conference chose Petrit Kalakulla as PDD chairman from among four candidates, marking an end to the partnership between Kalakulla and Baleta and crowning Kalakulla as PDD leader. Of about 150 participants in the conference, 130 voted for Kalakulla as chairman. Baleta's supporters were outside the hall. When they heard the results of the voting, they confirmed that such a thing was expected and said that Baleta and his people would either reorganize the Legality Party or create a new party. According to them, Kalakulla is a mere functionary, while Baleta is the spirit of the Albanian right and of Albanian nationalism.

After electing the chairman, the conference also elected the PDD National Council, which for its part elected a 12-member National Presidium. The presidium elected as party general secretary Arianit Kokobobo, who thereby takes Abdi Baleta's place, and Nikoll Nikolli as party deputy chairman. It is expected that the district branches that supported Baleta will be dissolved and that extraordinary conferences will be held to reorganize these branches and elect new presidiums.

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Prime Minister Klaus Rejects Populism

AU3105101195 Prague DENNI TELEGRAF in Czech 26 May 95 p 3

["Regular" interview with Prime Minister Vaclav Klaus by Tomas Chalupa in Prague on 25 May: "A Rejection of Populism Has Always Paid Off"]

[FBIS Translated Text] This time, our regular interview with the prime minister and Civic Democratic Party chairman, Vaclav Klaus, will cover the latest development in party support, the state budget surplus, paying off the debts of the Czech Republic, and the problems of inflation.

[Chalupa] Some time ago, in an interview for our daily, you took a definite stand against the existence on the Czech political scene of a strong and clearly defined opposition party as a counterbalance to the strong government party. Would you agree that, at least according to the latest surveys of party popularity, this idea is assuming perhaps too clear a reality?

[Klaus] I do not know what "too clear" means. It simply acquires a clear outline, and it certainly does not get me down in any fundamental way, so I believe that the struggle for stabilizing our transformation process in the shape in which it was begun and in which it must end is simply going on without any change that I can detect from the beginning. I believe that we have nothing to change in our stands.

[Chalupa] The surveys also indicate to a certain extent that populism finds support among a significant number of people. How does your party, which definitely rejects populism in any form, cope with this phenomenon, if one can call it that?

[Klaus] We have been repeatedly advised before every election also to resort to a certain populism, yet we have never done so, and it has always paid off. Here, I must say again that I do not see any reason for us to change our stands.

[Chalupa] Several proposals have appeared recently on how to use the 10 billion [korunas] surplus of the 1994 state budget. Some recommend that it be spent, others that it be used to pay the state debt accrued in the communist past. Do you insist on the distribution proposed by the government?

[Klaus] I have already said somewhere that it no longer concerns me. It has been in the parliament corridors for some time now, and I am afraid that I have nothing of importance to say on this matter. It is now on its own. Of course, it would be reasonable not to let all the money flow into the economy, but I have the feeling that we will not succeed there.

[Chalupa] The Czech Republic is one of the few countries that fulfills its obligations on all levels, acknowledges its debts, and settles them. Are we not overly courteous in this respect, if we take into account that most other countries do not pay their debts to us?

[Klaus] I do not believe that one should become impolite just because some people are impolite, and what applies to individuals certainly also applies to states.

[Chalupa] Do you agree that a consistent anti-Russian campaign is taking place in the Czech Republic as referred to by the Russian Ministry of Foreign Affairs?

[Klaus] I would say that every politician needs a certain toughness. If I were to consider every word written about me in the papers every day, a consistent media campaign against me, I would go mad. So, if someone says something referring to Russia or, the other way around, if the Russian Embassy says something referring to us, I would be tough enough to take both of these instances as part of standard political and foreign political statements and games and would not get excited about it. It is simple. We did not like something about the parade in Moscow, and it is our legitimate right to say so. After all, one cannot expect that the other party will keep quiet and pretend that it did not receive this information from us. It responded in its own way. After that, it is our turn again. Let us be a little hardy.

[Chalupa] Did the government stand regarding the abolition of the clearing [account with Slovakia] change in any way following the revaluation of the Slovak koruna?

[Klaus] The negotiations with Slovakia are being conducted at various levels, and it would be superfluous for me to give some fundamental signal or pass judgment.

[Chalupa] The Czech Republic has satisfied three of the five macroeconomic indicators of the Maastricht Treaty. Nevertheless, the rather high rate of inflation remains a problem. Although it is by far the lowest of all of the former communist countries, it is approximately three times higher than the European average. What time limit would you give for the country to reach the European standard?

[Klaus] It is very difficult to make such estimates. We know how to reduce inflation, but the economic and social price of this reduction would be enormous, and it certainly would not be a price that the citizens of this country would be willing to pay. So, I do not see an immediate chance for making this maneuver in the short run. Inflation here has its clearly defined causes, and, unfortunately, one of them is what we call in economic terminology an inflationary expectation. There has been

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an annual inflation rate of approximately 10 percent without any change, with the exception of the first months of 1991 and January 1993 (the introduction of the new tax system), for the entire four-year period. People have built this inflation into their expectations; all kinds of income, pensions, salaries, and wages include various indexing and valorizing clauses; and quite often the cause of inflation is inflation itself. Our problem is to cut through this inflationary expectation, and that is rather difficult. As soon as we do this, as soon as we disturb all of the existing valorizing and indexing principles, including wage regulation—which, of course, contain this element—we will get into a major dispute, and I must say that, because of this, the reduction of inflation to the standard West European level will not be as rapid as we estimated some time ago.

Commentary on NATO Membership, Nuclear Arms

95CH0241A Prague DENNI TELEGRAF in Czech 15 Apr 95 p 3

[Commentary by Ctirad Svitak: "Illusory Nonnuclear Neutrality"]

[FBIS Translated Text] It appears that in recent days part of the opposition has discovered a new political "evergreen" for itself. It takes the form of opening up the question of deployment of NATO forces, including nuclear arms, on our territory in the event that the Czech Republic joins the alliance. Adding apples and oranges, the Czech opponents of NATO membership, recruited from the ranks of orthodox communists and some leftist intellectuals, have already managed to lump together missiles, Austrian protests against Temelin, and the mirage of security based on neutrality. At the same time, they have expressed their conviction that the public is not sufficiently informed about what price it will have to pay for being accepted into NATO. And not just from the viewpoint of financial costs necessary for the modernization of the army. Allegedly much more is at stake—the possible loss of our national sovereignty. A lot of worrying about these facts is done particularly by the newspaper which at one time hailed on its front page the deployment of Soviet missiles in Czechoslovakia "for eternity."

The fact that in doing so they are equating past and future events obviously does not bother the opponents of Czech membership in NATO very much, in spite of the fact that the communist imprisonment in the steel jaws of the Warsaw pact, with all its known consequences, cannot be compared to the current effort by the Czech Republic [CR] to join the Western security structures. Moreover, this effort is being pressed not only by the democratically elected parties of the ruling coalition, but also by some of the other political entities, including the overwhelming part of the opposition Czechoslovak Social Democratic Party [CSSD]. Besides spreading the myth of the threat to national sovereignty which plays on the strings of past experiences with Soviet occupation, the opponents of closer ties between CR and NATO like to toss around the term neutrality. However, the idea of this security alternative does not take into consideration a number of facts. Among other things, the fact that the Swedish rim of the continent and Central Europe have an entirely different geographic and strategic importance, and that in the event of some major conflict in Europe we would necessarily become its helpless victim again regardless of a declared neutrality. In addition, the idea that we could, thanks to neutrality, avoid the considerable future expenses for the upkeep of the army is an illusion. On the contrary. Swedish neutrality, to give an example, was supported in the past by the existence of a strong modern army. After all, at the time when Moscow and NATO were deploying intermediate-range missiles in Europe, Stockholm made it perfectly clear to both sides that it will shoot down any missile flying over its territory. An even greater, naive mistake, or possibly disinformation with a special purpose, is the assertion that as long as there are no nuclear arms on our territory, under international conventions we cannot become the target of a nuclear attack. The image of hypothetical attackers bent over a map of front-line operations pondering which one of the warring parties has nonnuclear status, is beyond absurdity.... But equally misleading is the assertion that the inevitable deployment of NATO units on our territory in the event that CR joins NATO has so far been kept from the public. It is, after all, no secret whatsoever that NATO security policy is based on the principle of credible deterrent of a potential adversary, and that it is done by means of deploying NATO military forces, including nuclear arms, in strategic locations on the territories of member countries.

The current "polemic," which erupted with a considerable head start, about the possible deployment of NATO units and consequently of nuclear arms in CR after we join NATO, certainly is not the last agitation on this theme. Protests rejecting this possibility will undoubtedly be heard in the future as well. Obviously, the clearer the signals sent by NATO to the East about its growing readiness to accept new members, the more strident the protests from the opponents of close cooperation between CR and NATO will become. The effort to upset the public with the above-mentioned facts is for them obviously the last remaining method of casting doubt on the general pro-Western security orientation of the Czech Republic.

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Controversy in Czech-Slovak Relations Noted

95CH0244C Prague LIDOVE NOVINY in Czech 27 Apr 95 p 5

[Commentary by Premysl Svora: "Good Friends Make for Good Accounts"]

[FBIS Translated Text] The long-planned meeting between the prime ministers of the Czech Republic and the Slovak Republic, to which the Czech side looks for a solution to some problems in mutual trade and the recognition of debts resulting from the division of the central bank, will most likely take place within the next 14 days.

Before Meciar came to power, the Czech prime minister said that he has had no one with whom to negotiate for several months now. Although six months after the Slovak elections there is someone with whom to negotiate, but, according to Bratislava, there obviously is nothing about which to negotiate, for the time being. The current status quo suits the Bratislava administration. The Prague representatives claim that the Czech-Slovak meeting will not only involve a pat on the back for courtesy purposes. There must be clear conclusions which cannot be called into question.

Steps to see to it that the negotiations between both prime ministers are meaningful must be taken by the Slovak side. These include elimination of the nonsensical barriers to mutual trade in the form of certificates of origin and living up to the promises to revalorize the Slovak koruna against the clearing ECU. The Czech Government is showing overly much indulgence with regard to the Meciar government. Even though Finance Minister Kocarnik was repeatedly heard to say that the government will propose the elimination of the clearing process, this has not happened thus far.

Meciar constantly stresses the fact that he is interested in good neighborly relationships. He needs to show the world that he has good relationships with his neighbors. Following the overt criticism by the European Union and the United States of some of the methods employed by the Slovak Government having to do with calling into question the mandates of one of the opposition political parties and following attacks on the president, the government needs to improve its own image abroad. And it intends to do so even by referring to the problem-free relationship with the Czech Republic. However, it is doing everything to see to it that this does not come about.

To recognize the debt and to put an end to protective measures is something the Slovak Government has no desire to do. Its entire policy is based precisely on protectionism and protectionist measures aimed against "rogue" foreign products which could compete with Slovak goods. And it is precisely Czech manufacturers who pay the price for this policy. While a Slovak manufacturer has free access to our market in view of the existence of the customs union, a Czech manufacturer is much worse off in this respect. The Czech Government has hitherto been closing its eyes to this problem.

In this connection, a statement made by Gasparovic, speaker of parliament, which alleges that Slovakia is being subjected to pressure to rescind the Benes decrees, is of interest. The second highest constitutional official in the country of our eastern neighbor in fact indicated that this possible conclusion is seen "as a relevant possibility for a political decision." What is likely is that the question of the Benes decrees is being used by Slovak politicians as a pressure tactic prior to the prepared meeting between the prime ministers. We shall not rescind the decrees and you leave our protectionist measures alone. This is a textbook case of blackmail.

If this attitude is effective in the battle against Meciar's domestic opponents, Slovak diplomacy must count on other opponents on the international field. The release of trial balloons threatening to rescind the Benes decrees surely did not contribute to good neighborly relationships. Good friends make for good accounting and not for blackmail attempts.

Gypsies' Suspicion of Fellow Citizens Revealed

95CH0238B Prague RESPEKT in Czech 23 Apr 95 p 3

[Article by Jindrich Sidlo: "Gypsies' Militancy Likely To Grow"]

[FBIS Translated Text] During the past five years the Gypsies' view of the white [non-Gypsy] population changed radically: from "dummies" to "mealy-mouths" to "louts." At least that is what Ivan Vesely (30), head of the secretariat of the Gypsy Democratic Congress Council, claims. He is one of the authors of the Situation Report on the Gypsy Minority in the Czech Republic. The study, which was requested and financed by UNESCO, says the same thing in milder language, and, moreover, it does not spare criticism of the government. Vesely intends to send a copy of the report to the chairman of the human rights committee of the U.S. Congress, Thomas Lantos; recently Prime Minister Klaus also received a copy.

According to the report, Gypsies consider their white fellow citizens to be "persons of negative moral attributes, such as self-interest, servility, greed, dissembling, complacency, and selfishness." The Gypsies' view of Czech authorities is similarly negative. Also contributing to this distrust is the fact that until recently

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the courts were unable to thoroughly prosecute racially motivated attacks, which is said to have lead the Gypsies to speculate even about the "existence of a governmental policy of passively supporting racism."

And Ivan Vesely does not rule out the possibility that Gypsies could soon stop relying on the government and start defending their rights in the manner of the American movement, Black Panthers, in the sixties. Vesely, a former professional soldier who holds a degree in sociology from Charles University, has actually been saying the same thing for the past two years. As early as March 1993, he was saying that young, radical Gypsies will soon lose patience and take justice into their own hands. "We shall not look on while somebody kicks our nation with impunity," Vesely told RESPEKT two years ago. "Many Gypsy entrepreneurs are willing to support our resistance. And as a former professional soldier, I will put all my experience to use." (The report, by the way, states that there are already several hundred Gypsy professional soldiers.) Two years ago, Vesely estimated the time which Gypsies will need to achieve their national political maturity, at five years. Today he is convinced that he was not mistaken: "Recently some Gypsies in Plzen caught a skinhead and beat him up. And that is not an isolated case. It was spontaneous, and if society continues to treat Gypsies as it does now, Gypsies will begin reacting that way more often. I do not wish it to happen, but according to the law of probability it will happen."

Ivan Vesely has a considerably controversial reputation in the Gypsy movement as well as in the ranks of "white experts." Many consider him a self-appointed promoter who speaks only for himself, and who makes his militant predictions only for reasons of self-promotion. Government officials do not take him too seriously, and some privately speak of him with a hefty dose of resentment. But Vesely pays back in the same coin. He did not hesitate, for example, to publicly label the advisor to the deputy minister of interior and former Gypsy curator, Jitka Guricova, a "comrade branded by service to one party." But you cannot deny his ambition and diligence. In September, he is expected to leave for six months of study in the United States. Every week he makes an analysis of the way Gypsies are portrayed in the Czech media from more than 80 articles in newspapers and magazines. "I am 30 years old, and I can devote at least another 20 years to this work. You will see that in the end I will be successful."

Voter Support for Major Parties Viewed

95CH0239A Prague LIDOVE NOVINY in Czech 21 April 95 p 5

[Commentary by Premysl Svora: "Political Scene Is Polarizing"]

[FBIS Translated Text] According to the latest public opinion poll conducted by the STEM agency, two strong parties are becoming stabilized on the Czech political scene. The ruling Civil Democratic Party [ODS] and the opposition Czechoslovak [as published] Social Democratic Party [CSSD]. Whereas Klaus' party has been maintaining a stable support of 30 percent of potential voters for some time now, the popularity of CSSD has been increasing steadily practically ever since the last parliamentary elections. Milos Zeman undoubtedly is responsible for much of the CSSD popularity. At the time he became chairman, the party had a mere 6 percent of supporters. Now it has more than 20 percent. Zeman managed to take under his wing in a relatively short time all those who are dissatisfied with the current political developments and are ashamed to vote for the communists. The CSSD voter base is not yet stabilized by any means and the increase of this party's support may continue; however, the possibility of a decline of support cannot be ruled out. According to the poll, more than 60 percent of voters have weak or very weak ties to CSSD. In contrast, ODS supporters exhibit a high degree of intensity in their ties to the party. It can be expected, therefore, that ODS will obviously keep its stable 30-percent voter base until the elections.

Of the parties in the ruling coalition, the Civic Democratic Alliance [ODA] suffered the greatest decline of support. Several weeks after it made its accusations against BIS [Security Information Service] public, and after its vague explanations about what its 50 million debt was all about, the popularity of this party fell by one third. This trend was confirmed by the STEM poll taken in April—the approval rating of ODA fell by 6 percentage points in one year. And not only that: while in other political groupings weak ties of voters to their party is an accompanying phenomenon of a build up of new voters, in ODA it is different—with the decline in popularity the solid nucleus of its original supporters is also weakening. Therefore, it was not just the undecided group that left the camp of ODA voters, but Kalvoda also lost part of his until recently faithful supporters. This reality should serve as a warning to the party. During the election campaign they will lose the unconvinced groups much faster than the diehard supporters. The current not quite 8 percent could thus easily become not quite 5 percent.

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Another coalition party, the Christian Democratic Union-Czech People's Party [KDU-CSL] showed the best results in a long time in April. Data on the quality of support for individual parties from the past several months indicated that KDU-CSL is strengthening its voter potential. This change is now expressed quantitatively as well. Lux's party is has a firm hold on its traditional strong position in Southern Moravia. It appears that its role—to eliminate the communist influence there—is for the time being irreplaceable. The other Christian party, Pilip's Christian Democratic Party [KDS], has been evidencing low popularity for a long time, and the chances that it could reach the 5-percent minimum for being seated in the parliament are minimal.

A stable number of supporters (10 percent) is maintained by the Communist Party of Bohemia and Moravia [KSCM]. It appears that the postelection internal disputes and consequent splintering have not weakened this party in any way. Thus, 10 percent of the people in Czech society would like to return to the days of rigid socialism. Only orthodox Stalinists stayed in KSCM, those, who are ever dreaming of a totalitarian society where everything would be decided by central committees. Those communists who naively hoped for at least a moderate change in the bolshevik world view, have long ago left the party. People who vote for the communists have the strongest ties to their party of all the groupings, and are the most steadfast in their convictions. The extreme parties as a rule receive more votes in elections than the public opinion polls show. Some of their voters will not reveal their convictions to the agency's questioners, and thus it can be assumed that KSCM could receive more than 10 percent of the votes.

Even though some parties of the ruling coalition have lost some of their voters, the coalition as a whole has consolidated its position since the 1992 elections. It would get more seats in the parliament than it has now. This is indicated by the fact that some parties currently in the parliament have negligible support at the present time. The Moravian party LSNS [LIberal National Social Party], the Left Bloc, and LSU [Liberal Social Union] will obviously be out of the parliament. Also uncertain is the situation of the Republican Party, where we need to assume the same extreme party effect as is the case with the communists.

Although it is still more than a year before the next parliamentary elections, it is already obvious that the two main political streams will be represented by ODS and CSSD. The other parties will be only a kind of supplement and add variety to the political scene. However, it will depend precisely on their success to which side the parliamentary scales will tip.

Minister Reports 1st-Quarter State Budget Surplus

LD3105111895 Prague Radiozurnal Radio Network in Czech 1000 GMT 31 May 95

[FBIS Translated Text] Minister of Finance Ivan Kocarnik is submitting a report on the fulfillment of the state budget for the first quarter of the current year at the government session today. Ludmila Nutilova, press spokesman of the Ministry, has said the following:

[Begin Nutilova recording] The state budget in the first quarter of the current year may be assessed as satisfactory. By the end of the quarter, the state budget demonstrated a surplus to the value of 6.5 billion korunas [Kc]. The budgets of district offices and towns and villages ended in a surplus of Kc3.3 billion. Altogether, one can assess this development as positive. [end recording]

Ukraine Looks For Western Investments in CR

95CH0258A Prague PRAGUE POST in English 10 May 95 p 6

[Article by Dean Calbreath: "When Ukrainian Traders Look West, the Czech Republic Catches Their Eye"]

[FBIS Transcribed Text] When Czech companies look for foreign trading partners, they tend to look west, seeking the benefits of hard currency and state-of-the-art know-how.

To the republics of the former Soviet Union, however, the Czech Republic is the West, which is why Ukraine is beginning a strong campaign to attract Czech investment.

From their country's mountainous coal fields to the rich farmlands of its plains, Ukrainian companies are seeking out Czech partners and offering them a potential market of 52 million consumers.

Czech businesses and Westerners aren't denying UKraine's potential—particularly the country's industrial and agricultural sectors. A coalition of Western investors led by the European Bank for Reconstruction and Development, for instance, recently spent ECU17.9 million ($13.7 million) helping to establish a wholesale market in Kiev, restructure 60 retail operations and improve four food-processing facilities and several horticultural farms.

But there are drawbacks to doing business with Ukraine, from occasional truck hijackings and the threat of civil unrest in Crimea to a "trial-and-error" finance policy and the lack of any real economic infrastructure.

"Ukraine's road to economic stability is very rocky," said Tim Ash, an Eastern European analyst with THE

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ECONOMIST magazine. "They're at least two years behind Russia, and Russia's at least two years behind the Czech Republic."

These drawbacks explain why Ukrainian President Leonid Kuchma and his entourage took such a hard-sell approach during his visit to Prague this month.

"We believe Ukraine and the Czech Republic have tremendous potential for cooperation, but the level of cooperation hasn't lived up to its potential," Kuchma complained, noting that trade between the two countries amounted to just $240 million last year, or 1 percent of total Czech trade.

"The Ukrainian economy has always focused on Central European countries—particularly your country," Kuchma told a packed house of Czech politicians and business executives at the Rudolfinum. "We have to do more to introduce cooperation and stress the geo-compatibility of our two countries."

Czech-Ukrainian trade saw a sharp decrease after 1989, and business relations between the two countries are just beginning to reemerge.

This year, for instance, Tatra-Yug—a new joint venture between CKD Tatra, the Ukrainian engineering companies Yuzhmash and Elektropastrans and the city of Odessa—will produce 110 trams this year and subsequently 150 trams annually.

That Kuchma was director of Yuzhmash between 1986 and 1992 may have helped the deal. But Ukraine has been CKD Tatra's third-biggest customer since the company's founding in 1952, buying more than 4,000 tram cars over the past 43 years.

In another recent venture, the sock producer Lonka Pribor founded a 40-person factory in Ukraine. A Lonka official said that by using relatively cheap Ukrainian labor and materials, the plant "will defend against cheap and, in many cases, low-quality products from East Asia."

Other Czech companies doing business in Ukraine range from Olsanske papirny, which plans to sell several hundred tons of rolling papers a year to Ukrainian cigarette manufacturers, to CKD Chocen, which sells everything from locomotives to compressor plants for gas pipelines.

And Ukrainian Economists Minister Roman Shpek is trying to create a framework for Czech capital to come into Ukraine. This includes stimulating interest in real estate investment and developing a mutual business consultancy.

Czech Prime Minister Vaclav Klaus responded positively to the hard-sell tactics, suggesting Ukraine could someday become a member of the Central European Free Trade Agreement (CEFTA).

But not all Czechs are pleased with the prospects of Ukrainian business.

During Kuchma's visit, a representative of the pharmaceutical company Sanitas complained that her company had been trying to arrange a distribution deal in Ukraine for the past 18 months and had received no help from the government. Kuchma responded that Ukraine's embassy in Prague, which officially opened last month, has recently gone through a reshuffling to allow for greater business contacts.

"The opening of an embassy of the Ukrainian Republic in the Czech Republic shows what great significance we attach to diplomatic relations between the two countries," said Ukrainian Foreign Minister Hennady Ukovenko.

Another complaint centered on a recent spate of truck hijackings in Ukraine. An official of a Czech manufacturing company said he is interested in doing business in Ukraine, but is having a hard time finding truckers willing to drive there. Bretislav Ostadal, who heads the Czech Confederation of Industry, said fears about the safety of Ukrainian roads are widespread.

Kuchma responded, "Transportation on our roads is not only a problem for you, it's a major problem for us," but he added that "the safety of roads in Ukraine is comparable to (that of) the Czech Republic and Poland. I could give examples of some of our own truckers being attacked and assaulted here."

No examples were forthcoming, however.

Still, Kuchma was open about the problems Ukraine faces. Since it hasn't been an independent state for several hundred years, it lacks the economic structures and institutions of many of its neighbors.

"We have very few economists, financiers and bankers," he said, noting that the country has taken a trial-and-error stance toward economic changes. The tax base has changed three times in the past three years.

Postprivatization, Future Developments Examined

95CH0232D Prague HOSPODARSKE NOVINY in Czech 14 Apr 95 p 11

[Article by Lubomir Mlcoch, Department of Social Sciences, Charles University: "Can the Transformation Be Considered as Having Been Completed?"]

[FBIS Translated Text] 1. Privatization has been formally concluded: Ownership rights are generally divisible, but in a significant portion of the economy are dif-

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ficult to transfer (the stock exchange, the RM [over-the-counter stocks] system, as well as extraexchange stock transfers have to do only with a marginal portion of the economy) and are difficult to enforce—the cases brought in commercial courts number several hundred thousand per year and the institution of bankruptcy is ineffective in an overwhelming part of the economy.

2. The state has formally backed out of the economy—it, however, has remained as a decisive owner. The National Property Fund [FNM] seemingly administers only 15 percent of national property, but remains as the "core" investor in the Bank of Commerce and in the Investment Bank. These originally state-run institutions, together with the Czech Savings Institution and the Insurance Corporation, have established several of the most important investment privatization funds which, despite the creation by law of the "Great Wall of China" which surrounds them, are significantly dependent upon these institutions in terms of personnel and particularly in terms of capital. These giant institutional investors are supposed to administer the portfolios of 200 to 500 enterprises and properties which are frequently greater than those administered by the former ministries. The existence of so-called crossover ownership—which involves more "qualitative" rather than quantitative mutual property ownership shares—tends to strengthen the trend toward collusive actions by the banking sector and leads to an "institutional weakness" in which it is possible to use the analysis of the situation and the available financial strategies to demonstrate that none of the participants is interested in bringing about bankruptcy and is not even interested in capitalizing any claims. The state, which still continues to be the "core" investor in a significant portion of the economy, remains passive in its ownership role.

3. If we take into account the old debts which have been transferred to the state financial institutions—the Bank of Consolidation, but also the "core" share of the state in loans made to the Bank of Commerce and to the Investment Bank—we are dealing with the most significant creditors represented by a number of enterprises (and even by entire branches of the economy). In the final instance, these are claims held by the state. Also, state claims based on unpaid taxes, social and health care insurance payments in a number of large and midsize enterprises (which were at one time state-owned and are formally privatized today) strengthen the fact that the state is the most important creditor of the formally privatized enterprises (a completely clear situation of this type exists regarding the direct sale of privatized enterprises, whose acquirers are failing to pay their obligations or have not even begun to pay them off—here, the FNM is the largest client for corporate lawyers and the commercial courts).

4. The organizational structure of industry—in spite of ongoing changes and the emergence of a number of small enterprises—still continues to be characterized by the same degree of concentration which emerged under real socialism. A significant number of the branches of the economy is, thus, in fact, in conflict with the valid law on protecting economic competition, and surviving networks of supplier-consumer structures are preserving their old ties even though former capacities are not utilized. The decline in production and productivity of labor was not accompanied by an adequate decline in employment and is, thus, one of the explanatory factors for the low rate of unemployment. The high costs of amortized capital (sunk costs), the shortage of capital at the disposal of decisive institutional investors, the shortage of managerial investments, and the above-mentioned status of "institutional failure" serve as an explanation for delaying the process of restructuring, with this delay being facilitated, to a significant extent, by the existing exchange rate policy which protects domestic industry.

5. Coupon privatization contributed to a high degree of diversification pertaining to ownership rights in the first phase. However, this diversification was rapidly transformed into a highly institutionalized form of ownership—almost three-fourths of all property was owned by privatization funds. This second phase signifies the primary distribution of ownership rights among direct owners (funds) and indirect owners (individual owners of investment coupons—DIK's). The ownership rights vested in DIK's are, to a significant extent, only formal: Voting rights are virtually unrealizable with funds having several hundred thousand stockholders (transactional costs of "voting" are prohibitive). The right to exit—that is to say, the right to sell those securities with which stockholder is dissatisfied—is the only effective instrument normally in the case of "mutual funds" of the Western type, providing the capital markets are functioning properly, that is also sufficiently effective to influence the discipline of managers (the permanent threat of a "hostile takeover"). However, this prerequisite does not exist in our country and will not emerge for a long time: Capital markets are a long time developing—currently, they are in the birth stage, the majority of securities are insufficiently liquid, and, thus, an "exit" is simply undoable.

6. In the given situation, it is possible to anticipate a secondary redistribution of ownership rights ("the third wave of privatization") when institutional investors will attempt to get rid of "indirect owners," that is to say, of the DIK's—and when "controlling groups" in pri-

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vatized enterprises (frequently with the participation of "representatives" of the funds) will attempt to utilize the powerlessness of their ultimate owners to accomplish a "third privatization" to their own benefit. These interests can frequently lead to completely "nontextbook-type" conduct on the part of the funds and enterprises: Instead of the anticipated maximization of the value of administered assets, even speculative price reductions can be anticipated for shares and participation certificates (perhaps even accompanied by a hidden valorization of securities), because this will be the simplest way in which to buy out the shares held by DIK's. The imperfect reporting system on enterprises and entire portfolios, which is supported by special interests, will make these "unfair" ways to achieve growth in ownership concentration easier. However, the concentration of ownership is generally unavoidable because highly diversified ownership renders the effective activation of ownership rights more difficult. This is a matter of the efficiency of this process and of a structure which incorporates little competition on the part of capital markets which are emerging. Overall, it is possible to anticipate a sort of "postprivatization agony" which will rid individual participants in the privatization process of any illusions. The limited opportunity to assert divisible, but poorly implementable and still less enforceable ownership rights of individual stockholders in the face of institutional administrators of "their" property holdings will clearly not result in anything other than the transfer of these conflicts to the "political markets." Although the latter are of little effect from the standpoint of the theory of ownership rights (Douglass North) and operate with considerable delay, it is nevertheless possible to predict the outcome.

7. A "recombined" state ownership (D. Stark) means that mass privatization has led from the quasi-ownership structures of state socialism to a kind of quasi-private form of ownership with hitherto still ineffective actualization of ownership rights. Thanks to the virtually prohibitively high transaction costs in noncompetitive capital markets, compact interest groups which make use of the instruments of information distortion, the manipulated reporting system, and morally hazardous procedures to adapt the structure of ownership rights to their opportunistic interests can profit from the situation. State paternalism has not completely disappeared, but takes less obvious forms: The majority of the functions have been taken over by the banking sector which is a principal creditor, but also acts as a principal investor (through its investment privatization funds) in privatized enterprises. The banks have a differentiated loan and interest policy with respect to enterprises which are "truly private" and a different policy vis-a-vis those that are "quasi-private," that is to say, the midsize and large-scale enterprises which were formerly owned by the state and which are "their own property" today. The banks are attempting to transfer the problems involving their old and bad credits and the problems connected with prolonging their agonies to their clientele as a whole; they are trying to do so even more expressly in the sector of enterprises which are truly private: This is, thus, an old/new type of discrimination involving old/new forms of protecting state giants—only the forms of redistribution of resources are different.

8. Rapid and massive privatization led to the seeming evasion by the state of responsibilities for the fate of the economy and, at the same time, resulted in the creation of an enormous concentration of economic power in the hands of the financial oligarchy and institutional investors. In future—and herein lies the awkwardness of the entire process—it will be necessary to negotiate with these institutional giants as if they were formal private corporations. The state has thus voluntarily and prematurely rid itself of the instruments used in the direct management and influencing of the large enterprises without being able to get rid of the actual responsibility for their fate, because it cannot evade the responsibility for the overall, macroeconomic stability of the country and thus the survival of the banks (and the investment funds related to them).

9. There are two ways out of this situation. One consists of an attempt by the state to fully back out of the ownership structures, that is to say, for example, by selling off even the remaining shares of the FNM held by the banks and financial institutions (to foreign capital interests), or to write off old debts maintained by the Bank of Consolidation. This road—provided it is at all feasible—would mean that the state would definitively be rid of the opportunity to make use even of those forms of shares in the implementation of ownership rights which are given to it by the present status (and in the execution of which the state is drawn by the FNM into being quite passive in terms of the program—at least until now).

10. The second road means recognizing the fact that rapid privatization as such is undoable and that the state cannot quite so readily back out of the heritage of real socialism—even if it wanted to; this is a task to be split over one or two decades. This then indicates the necessity to attempt to establish an effective, enlightened, well-paid, and unbribable state bureaucracy and to take on an active ownership role. This is primarily true wherever the state still has this role "on the books" and where it, therefore, cannot evade this responsibility even according to the standard theory of "corporate governance." Moreover, this is also true where de facto privatization was unsuccessful: For example, where di-

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rect sales did not result in any payments and in the case of "public competitions." And obviously and inevitably also wherever the state (or its institutions) have become decisive creditors and where the "institutional failure" on the part of formal owners does not lead to any process of "creative destruction" and yet constitutes a burden for the entire economy.

In such cases, it is not possible to exclude the initiation of renationalization as a way out. Toward this end, however, it is necessary to gain understanding of the fact that private ownership is neither a self-serving institution nor a panacea. In other words, it means a transition from a naive ideology to a far more difficult search for practical ways out of the situation in which the state cannot claim that this is a matter for private business when the whole problem frequently involves enterprises that are private in name only. The explicit formulation of industrial government policy is, however, an obvious part of this second road which I am convinced is also practically the sole possible strategy.

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Kovac Discusses Mochovce, NATO Membership

AU2005133095 Vienna KURIER in German 29 May 95 p 4

[Interview with Slovak President Michal Kovac by Susanne Lintl "on the sidelines of the Keszthely summit" in Hungary; date not given: "Mochovce Will Be Slovakia's Last Nuclear Power Plant"]

[FBIS Translated Text] [Lintl] What is your reaction to Austria's protests against the Mochovce nuclear power plant?

[Kovac] Our government has not given up its search for an alternative solution to Mochovce. But if we do not find a solution in the near future, we will complete the plant—without loans from the European Bank for Reconstruction and Development. We have had new financing offers: from the Czech Republic, from Skoda Export. And we are still counting on Electricite de France and Siemens as partners.

But, for us, it is clear that this will be the last nuclear power plant in Slovakia. If Mochovce is completed, Bohunice will be closed down.

[Lintl] What is the state of the Slovak-Hungarian agreement that is to form the basis for reconciliation with the Hungarian minority?

[Kovac] I have told Austrian President Klestil that the Slovak parliament will ratify that treaty. There is only one opponent to that agreement; the Slovak National Party. But it cannot endanger the ratification. I cannot say when the agreement will be ratified.

[Lintl] Is your position being weakened by Prime Minister Meciar's permanent attacks?

[Kovac] The relationship that has developed neither impairs the work of the parliament, nor that of the president. Parliament and the prime minister must realize that the president is elected for a five-year term and cannot be removed, if a new government does not like him. Respecting the constitution in this matter is in the interest of Slovakia and its good reputation in the world.

[Lintl] Do you fear that Russia will veto Slovakia's accession to NATO?

[Kovac] The Russians say: We can understand that you want to join the EU, but we do not see why you also want to be a member of NATO. Austria is also in the EU without being a member of NATO—and Vienna is not even trying to join. But Moscow also points out that this is an internal Slovak matter, and it does not want a right to veto. In principle, it would be good if a security system could be established in Europe that also includes Russia, Ukraine, and the other OSCE [Organization on Security and Cooperation in Europe] states.

Kovac Favors NATO Membership Before Integration

AU3005171495 Bratislava PRAVDA in Slovak 27 May 95 pp 1, 13

[Article by Ivan Drabek: "Presidents on Integration; Michal Kovac Proposes NATO Membership First"]

[FBIS Translated Excerpt] Keszthely—"It is necessary to give thought to NATO membership being implemented prior to definitive integration into the EU," Slovak President Michal Kovac said yesterday, after the first round of informal talks among eight Central European heads of state at Keszthely, Hungary.

The main topic of yesterday's talks at the shores of Lake Balaton was the human dimension of the Central European countries' integration into European and Euroatlantic structures. Michal Kovac stressed that the Slovak Republic shared the view that it was important, given the fairly long-term process of integration into the EU, that the states aspiring to EU membership be able to work under conditions guaranteeing their security. [passage omitted]

According to Michal Kovac, several participants in the discussion pointed out that European integration also meant ceding a part of one's state sovereignty to common international bodies. The Slovak president observed that certain problems could arise in Central and Eastern Europe in the process of realizing this inevitability. "Countries that only recently acquired full sovereignty must, therefore, intensively prepare for the voluntary surrender of a part of this sovereignty," Michal Kovac said. [passage omitted]

Financing Situation of Mochovce Troubled

95CH0256B Bratislava TREND in English 5 Apr 95 p 27A

[Summary of article "Dark Clouds Over Mochovce" by Jana Dorotkova from page 7A]

[FBIS Transcribed Text] Mark Tomlinson, economist of the European Bank for Reconstruction and Development (EBRD): "It will be a rainy day in hell before the European Bank finances a changed project."

Frantisek Horky, deputy manager at the Mochovce division of Skoda Praha: "If there were only Slovak and Czech companies working on the project, the money could be put together without the need for the EBRD loan. Those studies and blue prints (of the western companies) cost way too much money."

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At the last minute before the board of directors at the EBRD was to meet regarding granting a loan to Slovakia to complete the controversial nuclear power plant in Mochovce, the Slovak Government decided to reevaluate the financial schedule, leaving the officials at the EBRD angry and confused.

The board meeting to decide on the loan of 1.5 billion German marks was first supposed to take place March 21, was rescheduled and then indefinitely postponed at the Slovak Government's request.

The main reason for such request was, as explained by Prime Minister Vladimir Meciar at a press conference last Wednesday, that the Slovak Government was not prepared to meet some of the EBRD's conditions for the loan.

"First of all, we are unable to increase electricity prices by 29 percent as of April 1. With such a move we would destroy most of the small- and medium-sized businesses," Meciar said. "We cannot promise to close down Bohunice by the year 2000 without the guarantees that the first two blocks of Mochovce would by then be operating."

The Soviet-designed Bohunice, the first nuclear power plant in the former Czechoslovakia, barely meets western standards and is considered unsafe by many. The closure of its two oldest blocks was supposed to be a trade-off for the EBRD's participation in the project.

According to its internal rules, the Bank cannot support a project to increase nuclear production of electricity in a borrowing country. According to EBRD officials, the Bohunice closure was the most important success of the loan negotiations between the bank and the Slovak side.

The bank officials say that the loan contract would provide enough guarantees to assure the Mochovce operation by the year 2000.

Even though Meciar did not give details on Wednesday, it seems that the most important reason to step back from the project was the desire to lower expenditures.

Officials from the Slovak Economy Ministry revealed last week that the Czech company Skoda Praha, an original co-builder and main supplier for Mochovce, proposed that they could complete the plant for a 30-percent lower cost than was planned by the French company Electricite de France (EdF).

At present, the French nuclear monopoly EdF is the main partner in the Mochovce project with Slovenske elektrarne, the Slovak electricity producer. The EdF officials claim that their cooperation will help Slovakia complete Mochovce with safety upgrades complying with western standards.

Meciar said on Wednesday that Slovakia will certainly complete Mochovce within the planned time and that there was a new financial schedule being prepared to be discussed at a cabinet meeting at the beginning of April.

He said that, in addition to the French EdF and German companies Siemens and Bayernwerk, the Czech company Skoda will join the financing and probably some Russian companies as well.

"I also want to confirm that Slovakia will try to receive a loan from the European Bank for Reconstruction and Development," he said.

But, as confirmed by the EBRD officials, the Slovak Government has neither provided explanations for its recent moves, nor has discussed the latest developments.

Mark Tomlinson, an EBRD economist who worked on the Mochovce project said that the Slovak approach was "shocking" and that the Bank felt "badly treated."

"It doesn't speak highly of the reliability of our Slovak partners. And I don't mean Slovenske elektrarne, I mean the Slovak Government," he said.

He expressed serious doubts over the safety issues if Mochovce were completed with a cheaper project.

"Safety costs money," Tomlinson said.

He stressed that the bank would not finance a project different from the one prepared by the EdF along with the EBRD. "Either the project continues as planned, or the Czechs and the Russians will have to go for it on their own," he said.

However, his threats do not seem to spook the Czech suppliers and co-builders of Mochovce in the least.

"If there were only Slovak and Czech companies working on the project, the money could be put together without the need for the EBRD loan," said Frantisek Horky, deputy director of Skoda Praha's division for Mochovce.

It was Skoda Praha who called the Slovak side's attention to the possibility to complete Mochovce for less by taking finances from different sources. "With a Slovak Government guarantee, it is possible to secure gradual financing of the completion of the first two blocks of Mochovce via a consortium of Czech banks," wrote Skoda Praha's director of the Mochovce division in his letter to the director of the Mochovce Nuclear Power Plant. "According to our calculations, the completion of the first two blocks according to the original contract, including the safety upgrades, would cost some 70 percent of the estimate by EdF."

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Many Czech and Slovak experts share the opinion that the French and German companies are too costly. Siemens, Bayernwerk and EdF joined in the construction of Mochovce only after the communist system collapsed and the builders ran out of money. They claim they will complete Mochovce with safety upgrades and to western standards. Still, they need to cooperate with the original builders.

According to Horky, the Czech and Slovak experts are good enough to manage the completion with the safety upgrades.

"As for Skoda, we need no EdF at all. We've built Dukovany and Temelin, so we would be able to complete Mochovce," he said. He estimated that the first reactor at Mochovce could start production in 1997. He said that some of the safety upgrading would be carried out during production breaks and checkups, and some upgrades might not be applied at all if experts found them unnecessary.

While EdF and the EBRD require unconditional closure of the old Bohunice plant, the Czech Skoda and the financial sources it would use would be flexible in this, according to Horky.

"The Czech side does not insist on this condition," he said.

While Skoda seems to be awaiting the future developments eagerly, Claire Girard, Mochovce project coordinator for the EdF, sounded tired.

She said that the latest development puzzled the French company, but it was still eager to maintain its position as project manager. She said that Slovak officials had not been in touch with the EdF since the postponement request was filed with the EBRD. It is hard to predict the development of the matter. The Slovak Government wants the change and the western partners oppose changes to the project.

According to Horky, the French won't give up that easily, and some kind of compromise will be worked out.

"The final solution is in the hands of the Slovak Government," Girard said.

Tuchyna Opens Regional States' Military Exercises

LD3005223095 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1630 GMT 30 May 95

[FBIS Translated Text] Lieutenant General Jozef Tuchyna, chief of the General Staff of the Slovak Army, in Trencin today opened the "Trimigrant" military exercises. These are coordinated, operational exercises of the general staff commands of the armies of Austria, Hungary, and Slovakia.

In his opening speech, Tuchyna described the three-day exercises, which are also attended by selected commanders of NATO joint armed forces in Central Europe and representatives of the Partnership for Peace coordination team, as a way to prevent conflicts, solve crises, and strengthen mutual confidence.

Meciar's Reluctance To Meet With Klaus

95CH0238A Prague RESPEKT in Czech 23 Apr 95 p 3

[Article by Peter Schutz: "Meciar Does Not Want a Meeting With Klaus"]

[FBIS Translated Text] The string of scandals and affairs which, for the last two years and three months, burst regularly week after week onto the independent Slovak scene, was given its crowning glory last week. Prime Minister Vladimir Meciar publicly accused his political opponents (specifically mentioned was Republic President Michal Kovac) that they directed the Slovak secret service to follow him, as well as the chairman of the parliament Gasparovic and other top officials of the Movement for Democratic Slovakia. President Kovac struck back within 24 hours. The head of the state used ammunition of the same caliber: he accused the prime minister of "building illegal parallel intelligence structures not only against the president but other persons as well."

As is the case with all intelligence affairs, here, too, it is beyond the capacity of the observer to separate facts from "added value." The former head of the Slovak Information Service (SIS), Vladimir Mitro, immediately rejected Meciar's assertion as "nonsense." It truly looks absurd. In fact, the opposition leaders do not keep it a secret that they think the whole affair is a case for a psychiatrist. And they are pointing out that Meciar felt that he was being followed even before the breakup of the state by the then federal intelligence agency, and in that connection accused two officers of the Kosice branch office of the Federal Security and Information Service of planning his assassination. Another assassination attempt was then uncovered by the prime minister during his visit to Bavaria in 1992. None of these suspicions were ever confirmed, of course.

On the other hand, the statements made by Mitro and the opposition leaders cannot be considered impartial testimony either. The fact that SIS "favored" the president's camp during last year's power struggle is beyond doubt. The most brilliant initiative in this respect was

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Vladimir Mitro's unparalleled entry into the culminating campaign: last September the SIS chief pulled out the files of the State Security agency and by quoting from them attested to the spotless past of Meciar's opponent Jozef Moravcik. Nevertheless, it is highly unlikely that the conspirational activities of the secret service would have gone beyond the framework of behind-the-scenes intrigues or—at the most—strategic advice to the opposition. Even that is certainly enough for a scandal, but not enough for the drama Meciar warned about.

Kovac's accusation that the prime minister is building an illegal intelligence network is also rather farfetched. But the president's formulation is nevertheless closer to being a fact than the prime minister's statements. For it must be taken into consideration that there exist several documentations from the past of similar tendencies on Meciar's part, and that Kovac himself knows his former party boss well enough to know what to reprove him for.

The mutual criminalization of the president and the prime minister would of necessity end with at least one resignation in any civilized country. Nevertheless, it is clear that a voluntary abdication on either side does not come into consideration. No matter what results the investigation brings, we can depend on it that the affected side will immediately cast doubt on it. And, it must be said, quite rightly. Today, neither of the two lines along which the investigation is conducted guarantees objective treatment of the facts. Since December the prosecutor general has been a "Meciar man," and in the parliamentary commission for SIS, there is not one member of the opposition.

But what is being discussed in Slovakia more than the truth or lies in Meciar's statements is what led the prime minister to publicize them so vociferously. Two reasons come into consideration, while a combination of the two is not out of the question.

First, it could be an attempt to bring the president before the Constitutional Court after the parliament charges him with treason. Even though at first glance it appears unbelievable, in practice there is nothing to prevent it. Sufficient would be a corresponding finding of the parliamentary committee for overseeing SIS, and a subsequent resolution of the simple majority of deputies. This plan could be, of course, put into effect even without the preliminary drumbeat on an open stage, which, moreover, has left Meciar open to immediate retaliatory action.

The other possible reason, the likelihood of which is reinforced precisely by the publicizing of the affair, is an effort to divert attention from something else by all the shouting. The series of recent governmental and departmental decisions leaves not the slightest doubt that the main assault by the new power is directed at the economic sphere. The restriction of the tender for the coupon privatization to 40 million Slovak korunas [Sk] is a sop to the powerful Association of Employers Unions and the chairmen of state enterprises. (Comparison: this "balancing" of Sk40 million means that one book of vouchers of the Slovak second round will be worth approximately one-third of the federal voucher book from the first round.)

Simultaneously, an attack was launched against the investment funds, which today, de facto, represent the only fully independent economic force in the government. The imposition of a forced administration on one of the PSIS funds with the most assets is apparently just the first swallow. A planned and systematic effort to dominate the economic sphere is attested to by the planned amendments of laws on large privatization and investment funds, which obviously will go through the coalition approval procedures already at the May session of the parliament.

It is, therefore, obvious that the proliferating of activities of this kind—the depreciation of the vouchers affects almost three million people, the above-mentioned PSIS has 700,000 clients—demand some moves to distract attention from them. And for that, a spy affair with direct participation of the president is as if made to order.

Naturally, the smoke screen has a universal application. It can be used to cover up, for example, the blatant proposal for amending criminal law submitted by the coalition partner Slovak National Party, which would practically open the door to political persecution of opponents of the regime, or create uncertainty concerning the "Hungarian" agreement, the ratification of which by the parliament is somewhere in the distant future. It can also provide diplomatic defense concerning the Czech-Slovak summit meeting of the prime ministers, which Meciar first announced for January immediately after his inauguration. Even though the Czech side is sending signals about the need for the meeting, for Meciar, the meeting with Klaus is absolutely inconvenient at this time. The revision of the payments agreement with the possible cancellation of the clearing accounting, and the debate about the customs union or the "federal" Slovak debt (Sk24 billion from the division of the Czechoslovak State Bank assets) are problem areas in which Meciar cannot gain anything propagandistically or materially. On the contrary, he could only lose. He is, therefore, postponing the meeting as much as he can. His repeated hints that the prime ministers' meeting was made impossible by Vaclav Havel (with his remark about "troubling developments" in Slovakia, which he made during the visit of President Kovac to the Czech Republic) give rise

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to a suspicion that Meciar is seriously flirting with the idea of making the meeting contingent on an apology by the Czech president. That, of course, would mean a postponement for a long time.

Meciar on Payments Agreement, Koruna Devaluation

LD2605211995 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1600 GMT 26 May 95

["Regular Friday interview" with Slovak Prime Minister Vladimir Meciar by correspondent Magda Pospisilova on 26 May; place not given—recorded]

[FBIS Translated Excerpt] [Passage omitted] [Pospisilova] We will, without any delay, hold talks on the postclearing payments agreements. This is what Prime Minister Vaclav Klaus said on 24 May after the meeting of the Czech Government. There was some discussion on the matter between the finance ministers of the two countries during an EU meeting in Brussels. Prime Minister, is there anything specific you could add on the matter?

[Meciar] Inevitably, the Slovak side has to consider several facts, in particularly the fact that they no longer speak about the agreement, but rather about talks after the agreement. Hence, we understand it to be a fact that the Czech Republic is going to cancel the agreement unilaterally.

This is not the first unilateral step taken by the Czech side since 1 January 1993. Our offers before the talks [as heard] were sufficiently accommodating. Slovakia has also made a practical gesture by revaluing its currency. We have also put forward several proposals on how to conclude the agreement, as the documents referred to by the Czech side do not rule out a different system of payment, and the payments margin can change.

Of course, just like in a marriage, the partners are entitled to unilateral decisions. However, as a result, they have to reckon with the consequences; they have to reckon with the reaction by Slovakia.

From our point of view there is one interesting thing in the whole issue. We are crediting the Czech partner, and Slovakia has 5 billion korunas in the clearing basket, the noncirculating part of the basket. We hope that the Czech Republic will not take advantage of the situation and it will not hold back this money. At present, this issue is of great interest to us and one that we need to resolve. [passage omitted] Of course, Slovakia will react in a certain way to these unilateral steps taken by the Czech Republic. However, just as in other instances, I would have preferred partnership talks. In the present situation it is, in fact, difficult to speak about talks between two partners. This is so when somebody tells you to come here, to sign this, to do that, and so forth. This is not the thing done! Obviously, this behavior by the Czech Republic is not only a signal to us, but other partners abroad as well. This is a signal saying that if it suits us [the Czech Republic], then regardless of the partner, we will do what we want.

[Pospisilova] Some people fear that either you or Prime Minister Klaus will condition the cancellation of the payments agreement on tackling a number of outstanding controversial issues related to the Czech-Slovak property settlement. As a result, Czech-Slovak economic relations might become even more entangled. However, out of nine partial agreements on property settlement, the two parliaments have only ratified four. Can you envisage any realistic date for the signing of a general agreement on the Czech-Slovak property settlement?

[Meciar] [Passage omitted] Of course, we believe that some things have already been agreed upon and they should be carried out; for example, the return of the Bojnice altar and the Slovak gold. There are some controversial matters and these should be discussed, such as several receivables of the Slovak Republic held in the Czech Republic. I believe that the zero sum would be an optimum solution for all participants, because if we sit down at the table, the Czech side will defend its sum and the Slovak side will certainly find out that its claim is higher. However, we have to end up with some consensus.

[Pospisilova] The decision made by the board of the National Bank of Slovakia to revalue the Slovak koruna against the ECU, which is used in clearing, was welcomed by the right wing. Left wing experts were concerned about giving up this advantage. Protection of our economy, and agriculture in particular, will become more difficult, and revaluation may also lead to increased unemployment.

[Meciar] This opinion is not very competent, I think. Protection of the domestic market is achieved by other measures, too. There are import certificates, there are import surcharges, we can introduce quotas on imports. In our case, by means of revaluing the exchange rate of the Slovak koruna, we gave advantage to the importers and disadvantage to the exporters but, at the same time, we protected our currency from speculation maneuvers. There has been a situation where every 15 minutes huge sums were flowing from Slovakia to the Czech Republic to be turned over. Thanks to different exchange rates, at the end of the day this cash flow brought disadvantage to Slovakia, despite there being an absolute increase in the sum of dollars in our account. The fact remains that

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the cash returning to Slovakia was disadvantaged. My explanation was a little bit simplified; experts might say that I should improve it.

I do not think that revaluation will bring us any disadvantage, neither do I think that this exchange rate is set forever. The value of the Slovak koruna is stable. We are working toward improving the exchange rate between the Slovak koruna and foreign currencies. Everywhere in the world they are buying Slovak and Czech korunas according to the same exchange rate. I spoke to the Poles and they told me that the same exchange rate [for Czech and Slovak korunas] was the standard in Poland. Slovak currency is much in demand. In the Ukraine, in Hungary, they are very happy to use the Slovak koruna as a currency because it is stable. If we look after it properly the Slovak koruna can become the dollar of Central Europe.

Ministry of Culture Disproves Kovac's Statements

AU3105070795 Bratislava SLOVENSKA REPUBLIKA in Slovak 27 May 95 p 3

[Article by "r": "Ministry of Culture Refutes President's Alleged Statements"]

[FBIS Translated Text] A few days ago, part of the Slovak press published statements attributed to President Michal Kovac, according to which he "voiced dissatisfaction with the method of distributing financial resources among ethnic cultural associations and media."

The Ministry of Culture responds to those misleading and malicious claims as follows:

1. The law on the state budget does not know the term "ethnic cultural associations and media" but only the term "cultural minorities."

2. The Ministry of Culture of the Slovak Republic distributes, and will distribute, all financial resources earmarked for minority cultures EXCLUSIVELY for this purpose, as required by the law.

3. All legal entities and individuals in the Slovak Republic (that is, not only the political leaders of ethnic Hungarian parties) have the right to apply for grants earmarked for the development of minority cultures. Financial support will be given to the most efficient projects, particularly projects that will pursue positive goals of cultural coexistence and will not, in contravention of the Constitution and laws of the Slovak Republic, misuse the financial resources of ALL taxpayers of the Slovak Republic for wasteful "management" or for political and hate-filled propaganda.

4. It is sad when words are attributed to the highest representative of the Slovak Republic that are not based on verified facts, with the apparent intention of setting citizens, members of ethnic minorities, against one another, and endanger the state interests of the Slovak Republic.

Parties Agree Coalition '100-Percent Solid'

AU3105070395 Bratislava SME in Slovak 26 May 95 p 2

[TASR report: "The Coalition Talks Confirmed That the Coalition Is Functional, Solid, and Conflict-Free"]

[FBIS Translated Text] Bratislava—The working mechanism of the coalition, both in the center and the districts, and the tasks for the upcoming period were the topics of talks yesterday between the representatives of the coalition parties—deputies, district office heads, and district council chairmen. "It was confirmed that the coalition is functional and that all the partners want to keep it," Slovak Prime Minister Vladimir Meciar said. He added that no one cast any doubts on the coalition talks or the form of cooperation. According to Meciar, the functionality of the Movement for a Democratic Slovakia [HZDS], Farmers' Party, Slovak National Party, and the Association of Workers of Slovakia was confirmed by all the representatives of party district councils in attendance. The differences in opinion, which may arise, relate to the method of dealing with individual issues. "No fundamental political differences exist between the coalition parties," the HZDS chairman observed. His words were confirmed by Jan Slota, Slovak National Party chairman: "We still are able to reach an agreement." The conceivable difference of opinions on particular questions is not a hindrance to their cooperation, according to him. He believes that the government coalition is "100-percent solid." According to S. Gavornik, Association of Workers of Slovakia deputy chairman, all the ministers present agreed to settle all unsolved problems in their departments by 20 June of this year. According to him, the coalition works better on the higher level than on the district plane.

Press Reports First Case of Ethnic Violence

AU3105073895

[FBIS Editorial Report] Slovak newspapers between 23 and 27 May publish a variety of reports and commentaries on a 20 May incident involving supporters of the Spartak Trnava and DAC Dunajska Streda soccer clubs, describing the incident as the first case of ethnically motivated violence in Slovakia, and warning that the present bloodshed in former Yugoslavia started with similar incidents.

Bratislava SME in Slovak on 23 May on page 1 carries a 200-word report by "vo" entitled "Dunajska Streda

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Fans Thrown Out of Train After Soccer Match." The report states that, on 20 May, after the first division soccer match between DAC Dunajska Streda and Spartak Trnava at Dunajska Streda, a group of Trnava fans returning home by train "attacked first verbally and, subsequently, also physically, young supporters of Dunajska Streda, five boys and two girls accompanying them. After chanting the slogan 'Hungarians, Get Back Over the Danube,' they attacked them with stones, beer bottles, and tear gas. The victims of the attack were forced to jump from the moving train. If they did not, they were pushed out. One of the youngsters fractured his leg while falling. An 18-year-old girl suffered a serious head injury and is currently at the intensive care ward of Dunajska Streda hospital."

Bratislava SME in Slovak on 26 May on page 4 carries a 400-word commentary by Ondrej Dostal entitled "Not a Few Slaps in the Face in a Bar." The commentator warns against belittling the train incident and treating it like "a few slaps in the face in a bar," because "the Trnava fans attacked the group of Hungarian-speaking young people and violently threw them out from the moving train for nothing more than speaking Hungarian." Dostal stresses that the incident "bore all the signs of brutal violence" and only luckily did not claim any lives, but "merely" fractures and head wounds. He believes that "fighters for Slovakia's positive image abroad" will now find it more difficult to argue that, unlike in the Czech Republic, Slovakia has not yet witnessed any racially or ethnically motivated murders. "The fact is that there is not such a big difference between murder and attempted murder," Dostal says.

Dostal blames the "fueling of ethnic intolerance, hatred, and bigotry" on "nationalistic politicians, to be found in large numbers particularly in the ruling coalition." He says: "If parliamentary deputies are publicly attacking the use of Hungarian in dealings with the authorities or in schools, small wonder that, after the consumption of a few beers and a lost match, even Hungarian spoken on a train can trigger physical violence." In conclusion, Dostal calls on Slovak politicians to "sharply condemn" the perpetrators of the incident "in order to prevent this incident from becoming the overture to confrontation being carried into the everyday life of citizens."

Bratislava PRAVDA in Slovak on 27 May on page 1 carries a 400-word commentary by Frantisek Buda entitled "Spark and Fire." According to Buda, the incident that occurred on the train from Dunajska Streda to Bratislava on 20 May "was the first ethnically tinged group incident of modern times" in Slovakia. Buda points out that "even the greatest fire originates from a small spark" and warns that this first "outbreak of violence" could have "far-reaching consequences." He therefore calls for a thorough investigation of the incident and for the "exemplary punishment" of the culprits.

Bratislava NARODNA OBRODA in Slovak on 27 May on page 3 carries a 600-word commentary by Ivan Horsky entitled "The Treaty Will Be Ratified—But Later!?" Horsky voices the fear that the incident after the soccer match in Dunajska Streda could be used to kindle nationalistic passions and warns that "also the bloodshed in former Yugoslavia had started with similar seeming trifles." Horsky therefore calls on "responsible politicians on both sides" to "assume a responsible stand on the incident" and to jointly come out against "irresponsible acts" and for "tolerance and humanity."

Bratislava PRAVDA in Slovak on 27 May on page 2 carries a 150-word report by "sm" on a Slovak National Party (SNS) briefing held in Bratislava on 26 May. Commenting on the above incident among soccer fans, SNS Deputy Chairman Jozef Sedovic reportedly "voiced the assumption that this might have been a provocation prepared by forces preparing acts of civil disobedience."

Commentary Views Kovac's Ideas on Minority Policy

AU3105081495 Bratislava SLOVENSKA REPUBLIKA in Slovak 26 May 95 pp 1-2

[Commentary by Miroslav Sasky: "The President of the Slovak Republic Seeks the Support of the Hungarian Minority"]

[FBIS Translated Text] Bratislava—Slovak President Michal Kovac's statements have given the Hungarian minority's threats of civil disobedience particularly spicy flavor. According to TASR, Michal Kovac endorsed the Slovak Hungarians' endeavor to halt the government project of so-called alternative education and, following their example, he also criticized the distribution of financial resources among ethnic cultural associations and media. Such open attacks by the head of state against the government can scarcely be regarded as an endeavor on his part to calm down the tumultuous political scene.

Statements by the Slovak president, quoted this week by the Budapest daily MAGYAR HIRLAP, have once again triggered contradictory reactions from the inhabitants of Slovakia. Michal Kovac's claim that material support for the minorities' culture is waiting for a better solution, would definitely be appropriate if the Slovak president spoke about the Hungarian Republic. His statement about the need for more permanent and more precise regulations in this sphere, so that changes in the government do not influence the extent of support, also

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stands on rather wobbly ground. I suppose that there does not exist a single government department in our country that would be fully satisfied with the distribution of funds. Everyone, however, with the possible exception of the Hungarian minority, realizes very well that we can distribute only as much as we really have.

What Is Actually the Alternative?

Statements made by Michal Kovac abroad are not coincidental and the likelihood of errors due to translation is only very negligible. After all, even while receiving representatives of Csemadok [ethnic Hungarian cultural organization] and the Union of Hungarian Teachers on 23 May, the Slovak president stressed that the so-called alternative education should be introduced in Slovakia solely on the basis of the students' or their parents' voluntary decision. Even on this occasion, he confirmed his dissatisfaction with the method of distributing financial resources among ethnic minorities. What can one say when the head of state assumes such a position? Does the president, too, perhaps require multiple assurances that alternative education is based on the principle of voluntariness? Its only aim is to give parents the opportunity to also choose, apart from a school with Hungarian as the language of instruction (where their child learns the state language as a foreign language only and, as a rule, later has problems communicating in Slovak), bilingual education, in which the main subjects are taught in Slovak and the mother tongue and other subjects in the native language. It is perhaps unnecessary to stress that such a system is the common practice in the world, whereas, the system that has until now been common in Slovakia is considered to be the alternative there. This is a notoriously known matter.

On the Basis of Voluntariness!

Since Michal Kovac approves of the declaration of civil disobedience, it is necessary to stress once again the principle of voluntariness in introducing bilingual education. The introduction of bilingual education by no means eliminates ethnic education, nor does it violate the right of children belonging to the Hungarian minority to education in their mother tongue. Should the parents of these children resort to civil disobedience, their action could, in the opinion of Ministry of Justice experts, be in contravention of Article 32 of the Constitution of the Slovak Republic. Since we already have experience with what representatives of the Hungarian minority declare and do, instead of approving of their threats, it would definitely be better to closely monitor how they intend to express civil disobedience. The violation not only of the Law on Misdemeanors is at stake here, but also of the Penal Code.

He Does Not Remember What He Said at Modra

In conclusion, we have to recall Michal Kovac's words that "even the state language must not be protected at the expense of the cultural identity of minorities and the protection of their native tongue." Not so long ago (12 February 1995), the president spoke at Modra. Milan Ferko, director general of the Ministry of Culture State Language and National Letters Section, for example, assesses his present statement as "running absolutely counter to what he said at Modra, on the occasion of opening the Ludovit Stur Year, when Michal Kovac, in the presence of many cultural workers and linguistic experts, very ardently argued for the state language in the Slovak Republic to have a sovereign status."

Let everyone answer for himself the question why the president is changing his views and seeking the Hungarian minority's protection.

FNM Expects Increased Income From Privatization

95CH0256H Bratislava TREND in English 8 Mar 95 p 27A

[Summary of article "National Property Fund Expects Increased Income From Privatization" by Jozef Hajko on Page 5B]

[FBIS Transcribed Text] As of the beginning of February 1995, the National Assets Fund (FNM) owned shares in 460 joint stock companies worth 98 billion Slovak korunas [Sk] ($3 billion). Formerly an institution to carry out decisions of the state's executive branch, the FNM became an institution which decides over direct sales with the right to propose buyers.

By law, the money that the FNM makes on privatization can become a part of the state budget. Specific FNM legislation defines how the money can be spent.

This year, the expected expenditures of the FNM budget total Sk14.6 billion ($456 million). Most of the amount, Sk6 billion, will go to the General Credit Bank (Vseobecna uverova banka, VUB). With ownership of over 50 percent of the bank's shares, the Fund is VUB's main shareholder.

Of the amount that FNM will give the VUB, part will help strengthen the bank's capital and part will cover the bank's bad debt toward some state-owned companies. This debt was created in 1992 when the Slovak Parliament ruled that the companies should be paid Sk15 billion from the FNM. State budget expenditures in 1995 are expected to reach Sk167.4 billion. With the planned spending of Sk14.6 billion, the FNM will cover some 8 percent of state expenditures.

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The FNM budget is designed to be balanced and is yet to be approved by the Parliament. Compared to 1994, FNM revenues this year are expected to nearly double. Some Sk1.2 billion will come from investment revenues and the remaining amount will come from property sales.

STV Program Structure Loses Advertising Income

95CH0256I Bratislava TREND in English 8 Mar 95 p 27A

[Summary of article "Slovak TV Loses Advertisers Due to Unclear Program Structure" on p 19A]

[FBIS Transcribed Text] The annual expenditures of Slovak television (STV) are around Sk1.2 billion ($37.5 million).

STV income in 1993 came from viewer fees, 59.9 percent; commercials, 32.4 percent; programs sold, 0.8 percent; and state budget subsidies, 2.9 percent.

In 1994, STV received Sk240 million to cover specific expenditures. The institution had to finance its functioning from other sources. Viewer fees accounted for about 60 percent, commercials were some 23 percent and 7 percent was from other sources.

As in previous years, STV income is expected to be some Sk1.2 billion, with state budget support of Sk200 million.

Because of the increasing number of viewers who do not pay their TV fees, the absence of good legislation and the low profit from STV's other commercial activities, advertising has ceased to be merely a supplemental income.

However, circles close to the STV leadership still do not want to see the situation realistically and continue to dream of substantial support from the state budget. Commercials have become a strategic part of the STV financial structure and are necessary to keep the institution running. An effective program structure would attract more advertisers and thus would help STV's financial situation.

The planned income from ad sales in 1995 is lower than in 1994 because of the weaker quality of the STV broadcasts and competition from new commercial TV stations. Petr Volny, director of the advertising agency IP Bratislava, hopes that the new commercial stations will cause an increase in the viewers' demands for quality broadcasting and will pressure the STV leadership to use its reserves more effectively. IP Bratislava is a joint venture (50 percent from STV and 50 percent from the German company IP Arbo GmbH) created to sell advertising for STV using the German partner's know-how. The IP Group has branches in 25 countries.

By law, STV cannot use more than 3 percent of its broadcasting time for advertising. In some cases this can be increased up to 10 percent, but cannot exceed one hour a day.

The advertising magazine STRATEGIE 5/1994 quoted the former STV director, Ivan Stadtrucker, as saying that STV managed to sell 60 percent of its advertising space.

Volny said that the first year of IP's activity was very difficult because it was hard to set prices for advertising which would fairly reflect Slovakia's developing media market.

An unexpected surge in interest in STV advertising space increased prime time prices from Sk12,000 to Sk87,000 ($375-$2,718) per 30 seconds. Even then, the demand was not satisfied.

Volny said that in 1993, the second STV channel (STV-2) began to lose quality, viewers and consequently its advertisers. According to Volny, investing Sk50 million ($1.5 million) to improve the programming would have been enough to keep the viewers and double the income from commercials.

Without the soccer World Cup, the pre-election campaign in September and the ad campaign by investment funds in anticipation of the second wave of voucher privatization, income from advertising in 1994 at STV would have been considerably lower, Volny pointed out.

"There is no difference between how commercial and public television makes money. The difference is in how the money is used later," Volny said. "IP's commercial interest is that STV makes more money on commercials to invest into Slovak-produced programs. That is the only way it could distinguish itself from other broadcasters and without losing its Slovak audience in the growing competition. It is not ideology, but the rules of market economy," he said.

Volny believes that if STV cooperated with IP on its program structure, it would become more effective.

"If during prime time (when 70 percent of the population watches TV), someone decides to broadcast a program which has only 7 percent popularity, the audience switches to other stations. Naturally, the advertising interest in such stations also drops. Such a policy damages STV's reputation with business partners and with viewers," he said.

According to Volny, the most watched programs are also more expensive to produce. If STV broadcasts them

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at the wrong time, it loses favor with the audience and also loses economically.

"IP cannot increase the number of the viewers. It can only charge more for advertising if the program quality attracts a large audience. IP can also cooperate with STV to prepare an optimal program structure that could sell prime time advertising in the best way possible."

"If these basic rules are not followed and STV only wants state subsides, it is irresponsible and hazardous behavior towards Slovak citizens. STV has the potential to make enough money to operate without state subsidies. State money can be used for better purposes," Volny said.

The question is whether STV management will notice soon enough that there are new television stations on the market and that they have impact.

STV is expected to start satellite broadcasting from January 1, 1996. The excitement over this transformation might have made the management forget that STV's main problem is not how to broadcast, but what to broadcast.

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Parliament Adopts Bokros Austerity Package

LD3005213595 Budapest Kossuth Radio Network in Hungarian 2000 GMT 30 May 95

[FBIS Translated Excerpt] The parliament has adopted the Bokros package [finance minister's austerity program] via a roll call vote. The opposition voted with an unanimous nay against the bill. Six government party deputies joined them: Albert Alfoeldi, Ferenc Kosa, Pal Kovacs, Mrs. Istvan Szoelloesi, Matyas Szueroes, and Janos Veres. Two abstained from voting: Zoltan Daroczi and Istvan Orosz, both deputies of the Hungarian Socialist Party.

The three independent deputies voted in three different ways. Peter Zwack voted in favor of the bill, for which the government majority applauded him; Mihaly Kapronczai voted against it; and Karoly Rab abstained from voting. [passage omitted]

The results of the voting: 231 ayes, 91 nays and 3 abstentions. [passage omitted]

Hora Outlines Action Program for Joining EU

LD3005121495 Budapest Kossuth Radio Network in Hungarian 1000 GMT 30 May 95

[FBIS Translated Excerpt] According to Gyula Horn, there is every chance that Hungary will join the EU as a full member before the year 2000. However, for this the country needs a program, and it is being prepared. The program's title is "Hungary in the New Europe." Laszlo Gardai reports.

[Gardai] [Passage omitted] The modernization package that has been drawn up over the past eight months contains concrete steps for joining the EU. The plan covers more than four years; thus, it traverses more than one government cycle. The prime minister also said the program is in line with the government measures taken so far, as well as with the budget and public administration reforms.

Horn expressed the hope that the experts who prepared the program will be able to convince the public that the government measures were necessary. [passage omitted]

The program calculates with an annual gross national product growth of 3.5 percent. It reckons that inflation will be 20 percent in the first period and will then fall below 10 percent. The planners also wish to reduce unemployment below 10 percent in the first phase.

There will be a wide-ranging public debate on the program. [passage omitted] The detailed government action program for the government's remaining term of office will then be drawn up by the fall of this year.

Justice Minister on Legal Harmonization With EU

AU3105082795 Budapest NEPSZABADSAG in Hungarian 26 May 95 p 4

[Interview with Justice Minister Pal Vastagh by Andras Sereg; place and date not given: "We Have To Expect the Inflation of Legal Rules—Justice Minister Pal Vastagh on the Government's Legal Harmonization Program"]

[FBIS Translated Text] *The government's five-year legal harmonization program has been completed. In his interview with NEPSZABADSAG, Justice Minister Pal Vastagh said the inflation of the law is much greater in this transitory period. In addition to creating new legal provisions, the formerly accepted laws and rules also have to be revised.*

[Sereg] What is legal harmonization?

[Vastagh] It is the process through which we gradually bring the Hungarian legal system closer to the EU's law. By signing the association agreement, Hungary committed itself to doing this, and we must ensure that our laws can be attuned with the community laws. Many people believe that legal harmonization means the adoption of a European legal material that is thought to be complete in every detail. This is not at all the case.

[Sereg] Will Hungarian law lose its national character with this harmonization? Can the country's sovereignty be violated?

[Vastagh] Not at all. Certain characteristics of the national legal systems are kept. Harmonization is not the same as complete legal uniformity. This kind of legal uniformity is undesirable and impossible.

[Sereg] How impossible?

[Vastagh] To the extent that harmonization is not needed apart from performing the tasks of the legal community. In other words, if a country does not have a seaside then it does not need to regulate conditions relating to it. Harmonization is explicitly forbidden in cases where it would lower the already achieved level of legal protection standard. This limitation of the EU agreement extends to healthcare, safety, and environmental and consumer protection.

[Sereg] What is the goal of harmonization?

[Vastagh] Legal harmonization is never a goal in itself: It is a regulating and conflict-solving means for the EU's united internal market. It is also linked to functions because it serves the free movement of people, goods, services, and capital.

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[Sereg] According to the five-year program, in which areas do we need to approach the European norms?

[Vastagh] On the basis of the association agreement, we will have tasks in the areas of customs law; company law; banking law; financial services; company accounting and taxation; intellectual property; employees' protection in the workplace; insurance law; competition regulation; state supports; protection of the health of people, animals, and plants; food law; consumer protection; technical regulations and standards; transport; and environmental protection.

[Sereg] Is this not too big a bite for the government and parliament? Will parliament turn into a veritable law factory?

[Vastagh] I am not concerned about Parliament because a large proportion of the tasks do not require legislative rules. Most issues can be regulated by government decrees.

[Sereg] What scheduling is prescribed in the program?

[Vastagh] In the first five years, we will come into contact with the so-called secondary legal material, namely regulations and decisions issued by the EU's leading organizations. The "primary legal material," which is also called the community's "constitutional law" or internal system of norms, will be built into the Hungarian legal system after gaining full membership, at around the turn of the century.

[Sereg] With how many community-level legal provisions and EU regulations will we have to conform in the course of the legal harmonization?

[Vastagh] The program lists some 470 community legal provisions and directives that will have to be taken into consideration by our legislators in the coming years.

[Sereg] Are you taking the country's economic capacity into consideration? Will it not be too early to adopt certain market regulations?

[Vastagh] The recently accepted law on public purchases is a good example for this. It takes the guidelines into consideration but it protects the domestic market with economic and trade preferences—for example, the 10-year asymmetric application of the principle of national treatment.

[Sereg] Are you not worried that the overregulation, which can almost be said to be traditional in the Hungarian legal system, will only be increased?

[Vastagh] We are living in a transitory period in which the social, economic, and ownership relations are constantly changing. Legal inflation is also natural in these years. In addition to creating new laws, we must also prepare ourselves to revise the previously accepted laws and regulations.

[Sereg] Can you mention an example?

[Vastagh] For example, the law on dishonest market behavior, which we would like to amend before the end of this year.

Kovacs Expects Basic Treaty To Be Ratified Soon

AU3105071095 Bratislava NARODNA OBRODA in Slovak 29 May 95 p 1

[TASR report: "L. Kovacs Is Convinced That the Treaty Takes Everyone's Interests Into Consideration"]

[FBIS Translated Text] Budapest—"I am convinced that the Hungarian legislature will ratify the Slovak-Hungarian basic treaty either this week or next. It just depends on how many deputies will ask to speak in the debate on ratifying the document," said Hungarian Foreign Minister Laszlo Kovacs in an interview for TASR in Budapest yesterday.

"The government majority in the legislature is enough to ratify the basic treaty with the Slovak Republic, which in accordance with my utmost conviction I will also recommend to the legislature in my closing statement, as I did in my report. That is, I am convinced that the basic treaty is in harmony with the interests of the two countries and peoples, and that it corresponds to the interests of Hungarians living in Slovakia and also of Slovaks living in Hungary," he said.

The spring session of the North Atlantic Assembly, which is currently under way in Budapest, will, according to Kovacs, have a positive influence on the North Atlantic Alliance's expansion process. At the moment, NATO only knows how to participate in crisis management. An expanded Alliance could take part in stabilizing Central and East Europe, which would be a considerably more effective solution than its crisis management in the current conflicts. After all, prevention can avert crises, Kovacs said.

Mecs, Romanians Stress Need To Sign Basic Treaty

AU3105111095 Bucharest ROMPRES in English 0909 GMT 31 May 95 FOR OFFICIAL USE ONLY

[FBIS Transcribed Text] Bucharest ROMPRES, 31/5/1995—Military relations between Romania and Hungary are better than political ones, Imre Mecs, president of Hungary's Parliament Defence Commission stated, on the occasion of the meeting with the Romanian delegation at the North Atlantic Assembly (NAA), headed by Deputy Ion Ratiu.

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Imre Mecs insisted on the fact that the lack of confidence was the biggest issue of the relations between the two parties and suggested that the two Romanian and Hungarian Defence Commissions should elaborate a technique of direct consultations. Therefore, Alexandru Radu Timofte, president of the Senate Commission For Defence, Public Order and National Security invited the Hungarian party to visit Romania for a first round of discussions.

"The access to NATO is both in the interest of Romania and Hungary and it should take place simultaneously," Petru Litiu, member of the Romanian delegation to the North Atlantic Assembly stated.

The interventions of Romanian senators and deputies had as result a unanimity referring to the requirement to sign the Romanian and Hungarian basic treaty. Both parties underlined the importance of press in decreasing the tension between the two countries, but they also underlined the occurrence of conflict.

Imre Mecs said there were necessary specifications on the recommendations of the Council of Europe and he showed that the issue of Romanian-Hungarian relations was simpler than the Slovakia one, because the Hungarian population held the main stake in the center of Romania, without the possibility of separation from Romania. "We do not wish to modify the borders, we wish to open them," the president of the Hungarian Parliament Defence Commission also stated.

Editorial Assesses RMDSZ Congress

AU3005145495 Budapest MAGYAR HIRLAP in Hungarian 30 May 95 p 7

[Editorial by Pal Bodor: "Transylvania Is Not Bosnia"]

[FBIS Translated Text] The congress of the Democratic Union of Hungarians in Romania [RMDSZ; in Romanian, UDMR] held in Kolozsvar [Cluj] is over. The discussions lasted 24 hours: The program of the organization was finalized passage by passage, and although there was a lot of passion and personal remarks, the meeting was characterized by political and spiritual maturity. As to which mass media showed more sympathy to what group, platform, color, or tone, all this is irrelevant. Nor is it worth bothering much about the fact that, among the opponents, one could again find people who practically regarded any ethnic Hungarians who thought differently as traitors of the nation.

Naturally, the strongest polemics focused on the types and formulations of autonomy. This is understandable. It is also understandable if an ethnic Hungarian in Romania desires a status similar to that in South Tyrol. Likewise, it is also understandable that, in the situation of "bloc" and "diaspora" in Transylvania, Banat, and elsewhere, a situation so different from that prevailing in South Tyrol, some people regard the use of this attractive example worrisome, difficult, and impossible to carry out as a whole. In addition, the nationalism of the majority population in our southeastern neighbor is of a different level and amplitude from the emotional-economic-political discipline and partly self-discipline characteristic of the more fortunate regions of Western Europe today. The abovementioned nationalism mostly resembles the one prevailing in the former Yugoslavia and the CIS.

We must acknowledge, and Europe must also acknowledge, that most people among the so-called radicals among the ethnic Hungarians in Romania are "maximalists" not as a result of mere zeal, hot blood, or perhaps a role. It is slightly painful and difficult to admit, but the official Romanian policy broke almost every one of its "national minority policy" promises in the past 75 years. It is not the Hungarian "radicals" that are ill-willed suspicious people; historical experiences whisper only bitter and sad sentences.

The fact that there is no armed nationalist civil war in Romania is mainly due to the calm of the bulk of the ethnic Hungarians living there. If the West finds it important that Transylvania is not (yet) Bosnia, it should do something. It should support full legality and a wise calm on both sides. Unfortunately, we only have a limited number of prestigious Romanian friends who are sober and have clear sight, people who accept an open commitment in this sensitive issue.

It is almost a public danger for a Romanian to be "pro-Hungarian." For a politician, this means certain failure and "high treason." Every nationalist and anti-Hungarian force is present in the current Romanian Government, from the extreme left to the extreme right. Therefore, one should not wonder at the mistrust of the ethnic Hungarians in Romania as regards any basic treaty signed by this government, even if it fulfills their most ardent hopes, in formulation.

One can worry about certain views of the "radicals," but one should not imagine that they want a Bosnia there. Even reluctantly, one must accept the fact that, after three quarters of a century, the democratic way of thinking and the life essentials of the ethnic Hungarians in Romania require totally different guarantees than hitherto. Of course, not in the tones of [Smallholders' Party Chairman] Jozsef Torgyan, which only hurt the interests of the ethnic Hungarians in Romania. The formulation of the demand for territorial autonomy in itself will cause enough trouble. We should not expect the most competent partners to easily understand

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the disappointments the ethnic Hungarians in Romania have acquired through experience and their demands deriving from all this; nor should we expect these partners to refrain from regarding these demands as hidden efforts to secede and as legally purified violent desires. This mad countersuspicion will unfortunately give birth to its specific political means and procedures; nevertheless, we must understand that the "autonomous national community" of the ethnic Hungarians living in the neighboring country requires some kind of creative strategy for survival, including legally regulated and guaranteed frameworks of existence.

The main victory of the RMDSZ congress is the reelection of the balanced and increasingly mature Bela Marko as chairman with a firm majority.

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Moslem States Critical of 'Weak' UN Policy

MS3105102695 London FINANCIAL TIMES in English 31 May 95 p 3

[Article by John Barham in Ankara, Farhan Bokhari in Islamabad, and Kieran Cooke in Kuala Lumpur: "UN's Bosnia Policy Angers Moslem States"]

[FBIS Transcribed Text] Moslem countries with peacekeepers in Bosnia have been highly critical of weak Nato and UN responses to the mounting tension in the Moslem-led state. Most are looking for tougher action by Nato in the face of Serb aggression and want the arms embargo against the Bosnian government lifted.

Mr Erdal Inonu, Turkish foreign minister, said on his way to the Nato ministerial meeting in The Netherlands yesterday: "This is a very sad situation. There has not been sufficient (international) determination. There is not enough reaction to the Serbs."

President Farooq Leghari of Pakistan called on Nato members to end their policy of "appeasement" towards the Bosnian Serbs and to take tougher action, including lifting the UN arms embargo.

Dr Mahathir Mohamad, Malaysia's prime minister, has been a strident critic of what he sees as inaction by the western powers and the UN and has repeatedly asked for arms to be given to the Moslems. Malaysia has urged the UN and Nato to take urgent action "to deal with the deepening crisis in Bosnia and put an end to the naked Serbian aggression". Throughout the Moslem world, the plight of Bosnia's Moslems—Slavs converted to Islam by the Ottoman empire—has become a source of anger and frustration. Many countries see the conflict as a struggle between Islam and the west.

Moslem governments are united in their desire to see the UN arms embargo on the Bosnian government lifted. They see it as the most effective way to help Bosnia, even if it means the UN peacekeeping force has to be withdrawn. Pakistan—which has 3,000 peacekeepers in Bosnia, the biggest contingent after France and the UK—has said it remains committed to the UN operation despite the taking hostage of a Pakistani army captain. But President Leghari too, favours the lifting of the arms embargo.

However, some officials are concerned that Islamabad may be faced with the difficult decision of committing its troops for a longer term. One official said yesterday that a long-term deployment of troops under the UN flag would require a careful review of Pakistan's policy. Some analysts say privately that Pakistan's tense relations with neighbouring India restrict its ability to send troops abroad.

Mr Inonu said Turkey should only withdraw its 1,500 soldiers—stationed in Zenica, central Bosnia, well away from the fighting—if "the Bosnians had the opportunity to defend themselves".

The NEW STRAITS TIMES, Malaysia's leading English-language daily which usually mirrors government views, said that only force would impress the Bosnian Serb army. It called the UN operation—to which Malaysia contributes 1,500 peacekeepers—a farce, pathetic and half-hearted.

Izetbegovic Comments on New British UN Unit

LD3005223895 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 30 May 95

[Interview with Bosnia-Herzegovina President Alija Izetbegovic by Bosnia-Herzegovina Television reporter Duska Jurisic; place and date not given—recorded]

[FBIS Translated Text] [Jurisic] Mr. President, there are rumors about the arrival of 5,000-6,000 British soldiers in Bosnia-Herzegovina. Is the Bosnia-Herzegovina Presidency, being the supreme command, informed about it and what is our stand?

[Izetbegovic] It has been informed, albeit not in a satisfactory way. The commander of the UN Protection Force [UNPROFOR] Sector South, this is central Bosnia, informed General Alagic about the arrival of a unit, another, additional unit, big unit of the British Army. From this conversation, Alagic understood that this involved the arrival of a unit that is an integral part of the British UNPROFOR. However, what followed were some [UK Defense Secretary] Rifkind statements that bring the process into doubt, so it was left unclear what character these units have, whether what is possibly involved is a regular unit of the British Army. This is why we ordered Alagic to permit them entrance into Gornji Vakuf and that they may station themselves there—their arrival was expected today, I do not know whether they have arrived—but not to allow them further movement until this issue is resolved. We are in contact with the British Government about this and I think that tomorrow I am expecting a letter, signed by Butrus-Ghali or Akashi, I do not know exactly, but anyway such a letter regarding this unit has been heralded.

[Jurisic] Will the UNPROFOR mandate be changed? Do our government and presidency have information in this connection?

[Izetbegovic] Well, I think that the question is being solved during these days, and I would not like to comment on that. We shall soon see what will happen. However, it may be important to point out something else. We should not be preoccupied with this issue too

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much. Irrespective of whether this mandate will stay the same or whether it will be changed or boosted, we must rely exclusively on our own forces here because of these latest events, particularly these tragic events in Tuzla. I did not comment on these events, to be honest, I did not have strength to say anything. I was very shaken by this Tuzla accident, this tragedy. I felt the need to remain silent, although I talked on the telephone on several occasions with Selim Beslagic [mayor of Tuzla] with Izet Hadzic and Fikret Hasanovic. I could not muster the strength to comment on this and to speak about this in detail.

Then this accident with our delegation happened. It was downed on the way back from Krajina after it performed its task and its mission very efficiently. All this shows that we must rely on ourselves alone and we are going to rely on ourselves. I think that this news that you just heard, that our army is doing its job. I think that this is the only solution.

Regarding the UNPROFOR presence here, it is more a question of whether their presence in the country is useful or not. I can say that the damage and benefits of their presence here have become almost equal. The erosion of their mission has continued. When compared to what it was at the beginning, it would almost be more useful for them to leave. Our stand is very clear. Namely, UNPROFOR units that are ready to defend themselves—that is, not us, but themselves—should stay in Bosnia-Herzegovina. As for those who are not prepared to defend themselves, we think it is better for both us and them if they leave. This is roughly the standpoint of our state in this matter.

However, I would like to take this opportunity, as I am here, I can say a few words. The Muslim New Year is tomorrow. I have sent all congratulations in the regular way, but as I have a chance to speak here to the viewers, to Muslims who celebrate New Year I would like to congratulate for the New Year and wish for it to be much better than this one.

Unit's Movement Restricted

AU3005185995 Paris AFP in English 1821 GMT 30 May 95

[FBIS Transcribed Text] Sarajevo, May 30 (AFP)—Bosnian President Alija Izetbegovic, angry at uncertainty over whether British reinforcements arriving here will be under UN or British command, Tuesday ordered his generals to keep them in central Bosnia.

The collective Bosnian presidency was informed about the arrival of the British troops, Izetbegovic told Bosnian radio, "but this was not done in a satisfactory way."

The commander of the UN Sector South unit, responsible for UN operations in central Bosnia, informed General Mehmed Alagic, commander of the Bosnian 7th Corps based in central Bosnia, "about the arrival of an additional huge unit of the British Army," Izetbegovic said.

"From the conversation, General Alagic understood that the unit was a component part of UNPROFOR [UN Protection Force] but after that (British Defence Minister Malcolm) Rifkind made statements which have raised doubt about whether or not the unit will come under UNPROFOR command," the president said.

This could leave the impression "that this is a regular unit of the British Army" coming into the country, Izetbegovic continued.

"We have therefore ordered General Alagic to allow the unit to come to Gornji Vakuf (in central Bosnia) and let them stay there but say that they will not be allowed further movement until the issue (of the command) is cleared up."

Silajdzic Demands Lifting of Arms Embargo

AU3005125195 Zagreb VECERNJI LIST in Serbo-Croatian 28 May 95 p 7

[Interview with Bosnia-Herzegovina Prime Minister Haris Silajdzic by Azra Kaurin; place and date not given: "The Serbs Understand Only Force"]

[FBIS Translated Text] The latest events in Bosnia-Herzegovina have prompted us to interview Haris Silajdzic, prime minister of the Republic and Federation of Bosnia-Herzegovina. Following fierce aggressor's attacks on the protected areas and the killing of numerous civilians, Minister Silajdzic told VECERNJI LIST:

[Silajdzic] The people in Pale only know force. It is impossible to talk to the Serbs on the basis of resolutions and declarations. NATO air strikes came unexpectedly and were quite outside the UN's customary rhythm. The international community has finally demonstrated decisiveness and harmony between the NATO members.

[Kaurin] Milosevic has refused to recognize Bosnia-Herzegovina. Do you have fresh information on the resumption of negotiations? Can we expect Milosevic to recognize Bosnia-Herzegovina and Croatia soon?

[Silajdzic] I believe that this is the initial phase of negotiations. He is ready to do it, but everything depends on the price. The regime in Belgrade is aware that this is not simply a matter of recognizing international borders, but also the reestablishment of international order in the region. That is why there can no reintegration of Serbia and Montenegro into the

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international community, and they are perfectly aware of this. The regime in Belgrade will recognize Bosnia-Herzegovina and Croatia.

[Kaurin] If Milosevic decides to recognize Bosnia-Herzegovina, is there a chance of Karadzic being removed?

[Silajdzic] The possibilities also depend on the efficiency of the tribunal in The Hague. In any case, it would be very difficult for us to deal with people whom the international community has branded as war criminals.

[Kaurin] There has been a lot of talk lately about changing the UN Protection Force [UNPROFOR] mandate in Bosnia-Herzegovina. What kind of mandate are you seeking for the UN forces?

[Silajdzic] UNPROFOR's mandate must be in accordance with the UN Security Council resolutions. The discord between the resolutions and the mandate has created maneuvering space that the Belgrade regime, that is, the Pale Serbs, have been manipulating successfully. Over 50 resolutions on Bosnia-Herzegovina have been passed heretofore, but the UN forces, given their present mandate, cannot implement them. The UN mandate in Bosnia-Herzegovina resembles the mandate of an expanded Red Cross. All this falls within the context of containing the problems in Bosnia-Herzegovina. They are helping maintain what the Serbs have captured through genocide. They are involved on both sides. We agree that they have two sides to consider; the one that is firing and the one that is being killed.

[Kaurin] The ultimatum that has been issued for the withdrawal of heavy armaments from the exclusion zone around Sarajevo also pertains to Bosnia-Herzegovina's armed forces. Will you withdraw your heavy weapons from Sarajevo?

[Silajdzic] We are ready to implement everything that is in accordance with the demands set out in the ultimatum. However, we are also ready to defend ourselves. So far, our defense was not efficient because we were relying on resolutions and ultimatums. That proved inefficient as our people are still dying.

[Kaurin] Yasushi Akashi, the UN secretary general's special envoy, is blaming both sides for the conflict. In his opinion, Bosnia-Herzegovina's armed forces are as much to blame for initiating the conflict as the Serb aggressor.

[Silajdzic] You know, his mandate directs him to say so. The United Nations' policy allows him to do so. An entire study has been devoted to the problem of equating the victim and the aggressor, which serves as a pretext for doing nothing. The United Nations is pretending to be neutral, yet this is actually wrong. They are not here to be neutral. Article 7 of the UN Charter states that UN members are allowed to fight aggression.

[Kaurin] The Bonn Agreement has expired, yet not all of the local and cantonal authorities in the federation have been set up. Can we expect the implementation of the Mostar Agreement?

[Silajdzic] As far as I know, minutes, rather than an agreement, were signed in Mostar. The Washington Agreement has been transformed into the Constitution. We have agreements from Vienna, Munich, and so forth. We have enough agreements. There are two serious obstacles to the federation, and I believe that a "D Day" should be set after which only a single government would have jurisdiction over the entire territory. Another unsolved problem is the existence of two components of the armed forces, the Croatian Defense Council [HVO] and the Bosnia-Herzegovina Army. The other problem is the substantial difference in the living standard on the territory controlled by the HVO and the Bosnia-Herzegovina Army. Our friends in Germany and the United States could help us financially to diminish the difference, so that one government would be in charge throughout the territory. [sentence as published] We could then have a single treasury, budget, tax administration.... Everything else boils down to stalling the implementation of the federation. Enough time has passed to allow people to adjust psychologically to past events. I believe that the time has come for us to set "D Day."

[Kaurin] The Party of Democratic Action [SDA] has launched an initiative to elect the president of the Bosnia-Herzegovina Presidency within the Bosnia-Herzegovina Assembly. What does that mean?

[Silajdzic] I think it best that you ask the SDA.

[Kaurin] There have been rumors that President Izetbegovic is ill and that the process of choosing a successor is in progress?

[Silajdzic] President Izetbegovic is in very good health, and there is no rift within the SDA. That is all I can say.

[Kaurin] The latest battles that were waged around Sarajevo are considered to mark the beginning of the lifting of the siege?

[Silajdzic] This is an attack on the city that has nothing to do with the lifting of the siege. I have just come from Sarajevo, and I am unaware of the lifting of the siege. We are not attacking them, they are attacking us.

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[Box, p 7]

Lift the Arms Embargo

[Kaurin] Following negotiations in Zagreb, you will leave for the United States. Do you expect the lifting of the arms embargo for Bosnia-Herzegovina?

[Silajdzic] We were hoping that the embargo would be lifted, that Europe would do something. They know very well that what is going on in Bosnia-Herzegovina is terrorism and genocide. I believe that a very sharp debate will soon be held in the United States and it could happen that the United States will decide to lift the embargo unilaterally. The Americans would not like to go down in history as a country that prevented the victims of fascism from defending themselves. We believe that, after the Tuzla massacre, the international community has finally realized that either it has to do something, or we have to do it. We have nothing to do it with, since we are under the arms embargo. The international community is tolerating this situation. The embargo has turned into an instrument of genocide. We have only one option left—to continue fighting with what we have. We are going to convey this to both the governments and the citizens of those countries whose governments are still insisting on the embargo. We shall warn them that their governments are participating in the genocide in Bosnia. The embargo can no longer be a technical error; it is a conscious decision that rewards the aggressor. The lifting of the embargo would clear the tainted international community, especially Europe. After Bosnia, Europe is no longer what it used to be. If matters continue in this way, there will be an escalation of the conflict and an atmosphere will be created in which everything will be both possible and admissible. The international community has lost all credibility in Bosnia-Herzegovina. According to my information, the United States alone is spending an annual $600 to $700 million so that the United Nations could preserve the nonexistent peace in Bosnia-Herzegovina. Significantly smaller funds would be enough to arm Bosnia-Herzegovina so that it could finally deal with fascism.

General Predicts Lifting of Siege by Winter

AU2505151395 Ljubljana OSLOBODJENJE (Europe edition) in Serbo-Croatian
18-25 May, 25 May-1 Jun 95

[Interview in two installments with Brigadier General Rifat Bilajac, assistant commander of the B-H Army General Staff, by Djuro Kozar; place and date not given]

[18-25 May p 4]

[FBIS Translated Excerpt]

Some Croats Are Not Exactly Helping

Brigadier General Rifat Bilajac is considered to be one of the most knowledgeable people about the situation on the Posavina front. In the second half of 1992, he had specific tasks in that area and he has visited it several times since. We asked him to comment on the latest attacks on Orasje and some sections of the corridor.

[Kozar] The aggressor has again become active on the Posavina front near the corridor. What is his goal?

[Bilajac] The issue of the Posavina corridor dates back to 1992 and must be viewed politically. We and the Republic of Croatia have never held an identical view on it. I must say that Zagreb has never been sincere with regard to this issue.

The events that are taking place in the corridor now are mainly being imposed by the Chetnik side, which is not happy with the current status on that part of the front. They want to broaden the corridor and make it completely safe, as Serbia needs this road to supply two armies, Karadzic's and Martic's. This corridor is especially gaining in importance after what happened in western Slavonia. The traffic that had been going through Croatia has now exclusively been moved to the corridor. This means that they no longer have the passage that had been functioning exceptionally well for Knin.

[Kozar] Is there a large concentration of troops and military hardware in the corridor?

[Bilajac] Yes. There are considerable aggressor forces there, as well as our own forces. I have said what the aggressor is doing. Whether we are going to launch an offensive on the corridor and when depends on the political will of the Republic of Croatia, when it realizes the real meaning of the corridor. What we have seen in the past few days is only a prelude to a decisive battle. This was only the testing of both sides, the testing of strength and toughness. [passage omitted]

The fighting in the corridor has had an effect on the entire front. When the appropriate conditions have been made and when the politicians decide on it, the Posavina corridor will have to be cut through, and the two Serb aggressor armies will be put in a difficult position since they will no longer be able to get their supplies. We have reliable information at present that Pale and Knin are regularly receiving logistics support from Serbia, as the so-called monitors on the Drina River are a sheer deceit. Even if all UNPROFOR [UN Protection Force] forces deployed in Bosnia-Herzegovina were to be posted on the border between Bosnia-Herzegovina and Serbia, they would not be enough to control it.

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[Kozar] Can one say that there is a status quo in the corridor at present?

[Bilajac] Yes, one can. The balance of forces is such that regardless of the combat, regardless of its intensity, there will be no major shifts in the established lines.

[Kozar] Can you explain the role of the Croatian side in connection with the corridor?

[Bilajac] The Republic of Croatia is not supporting us in our plan to cut through the corridor. I would not be wrong if I said that such a Croatian stand is being chiefly influenced by the retrograde Herzegovina policy adopted toward Bosnia-Herzegovina by Mate Boban. I would call them evils from western Herzegovina whose roots have not been pulled out. The pro-Boban supporters are preventing normal relations between the two states—Bosnia-Herzegovina and Croatia. [passage omitted]

I think that basic political problems and military cooperation between Bosnia-Herzegovina and Croatia will not be resolved until the forces that strive for relations on equal footing prevail in Croatia. Until this happens, we will have what we have now—a confused game—because the Herzegovina lobby is vary dangerous and it does exactly what suits the Chetnik side. Why is this lobby doing this? This could be answered by other people. After all, Mate Boban, while he still held a post in the so-called HR [Croat Republic] of "Herzeg-Bosnia," had frequent meetings with criminal Radovan Karadzic. It is known that Blaz Kraljevic, who was a real man, was liquidated during that period. Those who killed him were most probably involved in the disappearance of Major General Vlado Santic, and perhaps his murder. Their goal was to undermine the Washington Accord and everything that had been done on its implementation. This was simply done so that the Bosniak side be accused of not being in favor of the federation. After all, the state of Bosnia-Herzegovina must be a federation, within its historical borders.

[25 May-1 Jun p 5]

[FBIS Translated Excerpt]

The Chains Will Come Loose Before Winter

Throughout April and at the beginning of May 1995, members of the Bosnia-Herzegovina Army achieved significant results on the battlefield, liberating a part of the territory and some important facilities. We spoke to Brigadier General Rifat Bilajac on whether there were any shifts on the front and what the future plans were.

[Kozar] What is the situation like on Mt. Treskavica, and who is holding Mala Caba?

[Bilajac] On Mt. Treskavica, we are where we used to be. Generally speaking, there are no shifts. Regarding Mala Caba—or Djokin Toranj as the Chetniks call it—it has changed hands several times. This will continue to happen until we decide to launch more extensive offensives. [passage omitted]

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[Kozar] The besieged Sarajevo is threatened by Chetnik General Dragomir Milosevic, and the threats with shells are achieving....

[Bilajac] This is nothing new. The latest attacks on Sarajevo confirm that the aggressor is not giving up the aims he has set himself. Whenever it loses in fighting against the soldiers of our army, the aggressor carries out reprisals against civilian facilities, and is killing and wounding civilians in Sarajevo before the very eyes of the international community, which is not allowing us to defend ourselves. [passage omitted]

[Kozar] It looks as if the Chetniks know they can go on shelling Sarajevo unpunished, as NATO aircraft are not threatening them.

[Bilajac] The Chetniks have certainly been given the green light from the highest international level to do what they have been doing—to kill and strangulate the citizens of Sarajevo. What we have seen in Sarajevo is more of a political than a military issue. Politicians will have to decide at a given moment when to embark on the lifting of the siege, and all residents of Sarajevo must be prepared to take part in it, according to their abilities.

We are currently strengthening the Sarajevo defenses by forming a reserve echelon of the Bosnia-Herzegovina Army. Every able resident of Sarajevo will be involved in it. In that context, I appeal to our old fighters, those who showed themselves to be exceptional fighters in Sarajevo in April and May 1992, but who thought that they had finished the war after three to four months. Here is an opportunity for them again, and they will have their place in the Army. [passage omitted]

Key to Breaching the Encirclement

[Kozar] Sarajevo is being held under siege by considerable aggressor forces. Nevertheless, many people have the view that this is not the same blockade as the one that existed in 1992. Chetniks are sawing illusions on the impenetrable nature of their established positions. Do you agree that such illusions, as history confirms, had to be paid for at the highest price—a defeat?

[Bilajac] There is no blockade that cannot be lifted with a well-planned, skillfully synchronized, and organized

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action. The Chetniks know that and their propaganda machine is doing what it can to raise the morale of their brotherhood.

[Kozar] President Alija Izetbegovic recently said that Sarajevo should not spend the fourth winter under a blockade. What do these words mean for the Army of Bosnia-Herzegovina?

[Bilajac] For the army and all residents of Sarajevo, this means that they should find their place in the lifting of the blockade and help our fighters in all respects. Sarajevo still has enough strength and means for that, and these should be used for the lifting of the siege. Everyone who has a hunting rifle, pistol, or some other kind of weapon should know what to do when the time comes. We should indeed spend next winter in an open Sarajevo. All this will depend of the mood and the resolve of all our forces in this area. I do not want to present the plan of operations to liberate the city of Sarajevo on this occasion for military reasons.

Serbs: Boosting UN Forces Will Lead to War

AU3005145295 Paris AFP in English 1401 GMT 30 May 95

[FBIS Transcribed Text] Pale, Bosnia-Herzegovina, May 30 (AFP)—Bosnian Serbs' "foreign minister" warned Tuesday that any strengthening of the UN force mandate in Bosnia will lead "directly to war" and an extension of the conflict.

Aleksa Buha, speaking to the press, said his statement was in response to the position taken by foreign ministers from the five-nation "contact group" on Bosnia calling for the UN mission here to be strengthened and given a rapid reaction capacity.

"We think that we can expect nothing good from the new mandate proposed by the contact group for UNPROFOR [UN Protection Force]. This is the reason why we want to cut all relations with the United Nations," he said.

The ministers—from Britain, France, Germany, Russia and the United States—also warned that Bosnian Serbs would pay a price if the nearly 400 UN hostages they are holding were not released unharmed.

Any regrouping of the UN Protection Force and a change in its mandate as envisaged by the contact group at its emergency meeting in The Hague Monday night "will lead us directly to war," he said.

"There is no place for negotiation in the statement from The Hague. On the contrary, it creates a basis for an extension of the conflict," Buha said.

Radical Poplasen Welcomes UNPROFOR Capture

LD3005152595 Belgrade SRNA in Serbo-Croatian 1348 GMT 30 May 95

[FBIS Translated Text] Banja Luka, 30 May (SRNA)—Nikola Poplasen, deputy chairman of the Serb Radical Party of the Serb Lands [SRS], today voiced full support for the Bosnian Serb Army [BSA] in connection with the capture of UNPROFOR members, who have openly sided with the NATO and UN terrorist actions.

The SRS leader for the Bosnian Serb Republic told a news conference in Banja Luka that the SRS recently advocated that the UNPROFOR forces be declared occupying forces, and that the BSA treat them as an army of occupation.

Poplasen expressed the hope that the BSA will persevere in its orientation and will show through its attitude that the UNPROFOR, the United Nations, and the Security Council have neither military, political, nor moral reasons to wage aggression against the Bosnian Serb Republic and the Republic of Serb Krajina [RSK].

"The SRS has been advocating a Pan-Serbian unification and the unification of the Bosnian Serb Republic and the RSK in a single unitary state as a transitional phase toward the final definition of the Serb problem," Poplasen stressed. [sentence as received]

He concluded by saying that the Serbian authorities's explanation that they cannot go ahead with the unification of states which are at war and those which are not is silly and utterly unacceptable.

"According to this explanation, a section of the Serbian nation should watch calmly how Serbs in other areas are suffering and bleeding," Polasen said.

RS Terms for Release of UN Peacekeepers Cited

AU3005133395 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 29 May 95

[Report by Radan Skipina]

[FBIS Translated Text] UN soldiers whose freedom of movement is restricted by the Serbs will be released the moment their governments and the United Nations fully restore peace for the Serbs, RS Information Minister Miroslav Toholj told a news conference last night.

In other words, the West must stop the war in former Bosnia-Herzegovina immediately and unconditionally, and grant the Serbs the same rights as other nations in the former Yugoslavia, Toholj emphasized. Today's meeting of the Contact Group will be of absolutely no significance, notwithstanding the views of the five members, unless the leadership of the Serb Republic is

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considered an equal partner on that level as well, pointed out RS Information Minister Miroslav Toholj.

Krajisnik: Serbs Support Negotiations, Dialogue

AU3005170295 Paris AFP in English 1641 GMT 30 May 95

[FBIS Transcribed Text] Belgrade, May 30 (AFP)—Bosnian Serbs support negotiations and dialogue, rebel leader Momcilo Krajisnik [Serb Republic Assembly speaker] said Tuesday.

"Force cannot help reestablish peace," said Krajisnik, the rebels' number two. "We are happy that U.S. Secretary of State Warren Christopher and the 'Contact Group' have decided that all political means must be used to reach a peaceful solution," he told the independent Yugoslav news agency BETA.

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President Tudjman Interview for Statehood Day

LD2805110295 Zagreb Radio Croatia Network in Serbo-Croatian 1735 GMT 27 May 95

[Article by Darko Herceg on "excerpts" of an interview with Croatian President Franjo Tudjman by Croatian media editors and correspondents to mark Croatian "Statehood Day"; at the presidential palace in Zagreb; date not given—recorded]

[FBIS Translated Text] [Herceg] Obrad Kosovac asked the first question.

[Kosovac] I personally—and the whole of my generation—like more than any other of your statements the sentence you uttered when you returned from the United Nations and said in Jelacic Square in 1992: We have our Croatia. It is ours, and it will be what we want it to be.

I think that this sentence contains everything: the whole of Croatia's history, the difficulties, the centuries-old trials the people have had to endure, and their wishes, triumphs, and finally the freedom and independence of our homeland. No Croatian politician or statesman could have said this sentence before.

I would like to ask you, the founder of the new Croatian state, what Croatia is like today, five years after the victory of the democratic Croatian authorities? What was the path to this like?

[Tudjman] That sentence has its own historic meaning, its own historic justification; however, a little bit is missing. The missing bit is that we will create Croatia as we want it, but Croatia will be what it can be, considering ourselves and the international circumstances and depending on whether the international circumstances allow us to create it as we want it. The essence, however, is contained in what I said—that we have it despite the fact that not a single international player was in favor of an independent sovereign Croatia, which many of our people tend to forget.

We created it, however, and that is the historic achievement of immeasurable importance. All the difficulties we encountered since the Yugo-Communist aggression in the beginning and then the Serbian and Montenegrin aggression, all the difficulties arising from international circumstances, have in fact been overcome. All our internal problems are secondary in the light of that important achievement.

Therefore, I think that all of us, every Croatian man, all of us who have taken part in this in one way or another, can be satisfied with the Croatia we have now because it offers a good basis to become the Croatia we would like to have.

[Ivanka Luce] All these years our refugees have been more than patient and believed you and the Croatian authorities. After the action in western Slavonia, after that limited action, 14,000 of our refugees are getting ready to return to their homes. What message would you like to send them?

[Tudjman] You mentioned 14,000. We have created conditions for around 45,000 refugees to return. I would like to tell them, first of all, to tell the refugees from the areas that have now been liberated to make sure that they do go back. Many have found homes in their temporary accommodation. There are reasons, sometimes even justified reasons, for them not to return. However, it is very important for all those refugees to return to the liberated areas, from the national and the state point of view.

Of course, the main problem is the remaining refugees, around 170,000 of them today. We should, first of all, congratulate those people on displaying a very high level of political and human maturity, on having the patience and confidence in their authorities, on knowing why they lost their homes, and on knowing that this was the price we had to pay for the establishment of an independent Croatian state. They know that, despite all the efforts we invested in the defense of those areas, we did not manage to prevent their eviction.

In the same way, most of those people know that we are doing everything to enable their return. My message to them—as the head of state to the refugees—is to maintain the same attitude toward their home regions and to continue trusting the Croatian authorities. I can assure them that, just as the refugees from western Slavonia are going back to their homes now, the time will come when they will be able to return to the other Croatian areas.

If it were up to us, we would obviously do it eagerly, without delay; however, this would require a great deal of sacrifice. In addition, the international community of which we are a member—and given what we have said in connection with the conditions for establishing Croatia—does not allow us to use all means because the international community is justifiably fearful that our armed action for the liberation of all areas could cause an escalation of the war with unforeseeable consequences in the light of all the antagonism emerging in this area.

[Herceg] Ante Ivkovic said that Croatia has proven that it can function as a sovereign state, irrespective of the war, and that refugees would agree to the postponement of their return if it meant preserving Croatia as a state. He said he was speaking from experience because he knew some refugees. However, Ivkovic went on to say

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that the creation of some sort of new Yugoslavia, some federation, had been proposed recently. In fact, this would be very difficult for the refugees, something that they would accept with difficulty.

[Tudjman] Not only them, but also I think 85 percent of the Croatian people and citizens. This is something that they can be sure of, not only refugees, but also all Croatian people: A vast majority of the Croatian people will know how to preserve their sovereignty and independence, despite everything. If things started developing in the way that this could be brought into question, then the entire Croatian people would be ready to show extreme resolve to defend the acquired freedom and sovereignty.

However, I believe that, irrespective of the fact that such plans exist, many people on the margins of the diplomatic tables and in the lobbies—not only there, but also in publications and in expert strategic essays—many are suggesting that the best solution for the resolution of the crisis on the territory of Yugoslavia would be the renewal of some sort of Yugoslav, Balkan confederation, or an Adriatic confederation to make it more palatable for the Croats. However, an opinion prevails among the most responsible players in the international community that this would be unrealistic, that this would not mean the creation of some realistic conditions for a new and stable international order, but that solutions ought to be sought in the creation of the new international order on the territory of former Yugoslavia, on the basis of mutual recognition of states that were created in the wake of Yugoslavia's disintegration.

It seems to me that we have clear examples for this: I hope that the European Union will pass a decision on Croatia's admission in the PHARE [Economic Reconstruction Aid for Poland and Hungary] program on 29 May, irrespective of the current conditions. It may be indicative that among the many telegrams that I have received on the occasion of Croatian Statehood Day .... [pauses] Yesterday, I received a letter from President Clinton that obviously is not only a matter of protocol but is much more. It says that relations between the United States, which is the main international superpower, and Croatia are so well developed that it gives President Clinton pleasure to express American readiness to act together with Croatia in searching for solutions for the stability and future of this part of the world and that the United States is ready to further develop relations with Croatia in the political, economic, and cultural spheres. This, by itself, shows that—despite such plans, theses, and so on—that such an opinion prevails among the main international political players.

You know that I have recently had talks with Chancellor Kohl in Bonn. I would like to repeat that the solution to the problem of our occupied territories and the crisis in Bosnia-Herzegovina should be viewed in the light of these international relations and that it is important to resolve that crisis in Bosnia-Herzegovina in this framework, as this is where relations between world powers are being resolved. Croatia has become an international player, as this letter that I have mentioned says.

So, from that point of view too, I think that the Croatian people should not be worried. In our stances on these important issues and in our everyday work—in solving all the issues, from the tiniest to the most significant national ones—we need both heart and head. That is important. We will solve successfully even the most complex problems of strengthening our state and do our part in solving the Bosnian crisis. All this in the interest of the future of the Croatian people and the Croatian state.

[Herceg] The president was then addressed by Olga Ramljak.

[Ramljak] Contrary to that stance, an ordinary citizen of Croatia has the impression that we are creating Croatia by tearing it out from everyone on the international political scene.

[Tudjman] I think you used the right expression: Croatia really does have to tear out everything it has achieved, its right to it—from the very first act of establishing its independence and sovereignty until today. However, in that process of tearing out, we have pulled out enough weed, dug out deep enough foundations, and have already built Croatia as a solid and serious house in the international order.

With our policy, we have forced them to recognize us and understand that there can be no end to the crisis, no new peace, and no new international order in this region without us. Of course, we still come up against that what you mentioned from time to time.

One thing should be stressed in this context. Seeing that the prevalent opinion is that which would like to see a different solution, without independent Croatia, our friends—you can conclude for yourselves who they are in both state and individual relations—would like the enemies who are very numerous not to be able to hold anything against us: Look at your Croats, they are the same as [word indistinct].

So, to a certain extent, we should understand our friends and why they are asking today whether there were individual violations of human rights in western Slavonia but are not asking about the 14,000 Croatian

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people who were driven out of that area, about the 1,500 Croatian people killed there. That we consequently launched a military and police operation to liberate the area, it was no (?trip). [sentence as heard]

They forget all this and look for any responsibility (?among Croats). This is what Croatia's enemies are doing, and our friends have, in fact, openly told us: You are part of western Europe. You are a cultured nation. You have opted to belong to us, and you do belong to us; so we do not want to see any cases or events there to which your enemies and ours can point.

Of course, Croatian people find it difficult to understand, some even find it impossible to accept, that we should treat those Serbs who rebelled against the Croatian state and the Croatian people with largesse, in a civilized, human, and humane way. We have to explain to our public that not every single Serb in western Slavonia or anywhere else was a criminal who wanted to turn against the Croatian state. They were induced by the extremists. Many people were forcibly mobilized.

It is interesting what those Serb people whom we liberated—who say that they were forcibly mobilized and that they want to stay in Croatia—are saying now. They are in a moral and psychological dilemma: On the one hand, some of their relatives have left; on the other hand, they know: My neighbor harmed a Croat, and I will remain here and be unhappy. This is why they are considering leaving Croatia.

On our part, we must do everything to convince as many Serbs as possible to stay, to prove to the world that we want to be a democratic country that will ensure the civil rights for all its citizens, regardless of ethnicity and religion. I do not think that many of those who have left western Slavonia will come back. Still, I expect that some will. Not only the Croatian authorities, but also the Croatian public, should—in the interest of Croatia—accept them and prove in all areas that we do want to be a democratic country and provide the same rights to everyone in the spirit of our constitutional commitment.

[Herceg] Ivanka Lucev again.

[Lucev] Could you comment on Serbian President Milosevic distancing himself from Radovan Karadzic and Milan Martic, the local Croatian and Bosnian Serbs?

[Tudjman] It is obvious that not only Milosevic, but also other players in Belgrade—in both the political and economic spheres—have come to realize that the project of establishing a Greater Serbia at the expense of Croatian areas is impossible to achieve and that, due to their international isolation and the disastrous economic situation, they are forced to normalize relations with Croatia. At the same time, they are still pursuing the policy of placating those extremist demands, if possible, in this or that way. Hence, they are not making the moves that would guarantee us and the international public that they have renounced the occupation.

Of course, that also depends on their internal relations. Certainly, in addition to multiparty relations in Serbia, the Army is a rather independent factor in their politics, and it plays a role that could be described as .... [pauses] There are in the Army those who would like to see the return to the plans you mentioned before, to some kind of wider Yugoslav, Balkan, or I do not know what framework. On the other hand, the Army also offers stronger support to the Greater Serbian (?aspirations).

Let me add something else. You probably know, you have probably read at least some of my works: Around 20 years ago, I wrote in my book "The National Issue in Europe" and repeated in "Wasteland," that in the disintegration of the socialist system and Yugoslavia as a multiethnic community, which I expected and predicted then, the normalization of Croatian-Serbian relations was a historic need. This is what I called Scandinavization.

That was the case with the Scandinavian nations that fought for centuries, then parted and created independent states—the process that was completed early this century in 1905. There used to be wars between Sweden, Denmark, Norway, Finland, and so on. Then they established independent states and recognized one another. The Scandinavian peninsula is today the model of the stability of the international order, as well as of democracy and the best mutual relations between countries.

I wrote in one of my works that nations and people begin to act rationally when they use up all irrationalities, all horrors, and stupidity. I think that we really have used up all the irrationalities in the conflicts between the Croatian and Serbian nations, with this war and with what is happening nowadays. The time has come for the normalization of relations on the basis of mutual recognition.

Responsible international players, both those who do not want to see independent Croatia and those who have accepted us, are telling us to do that. Another example that this is necessary is—let us not forget—the great nations: the French and the Germans. France and Germany waged many wars in this and the past centuries, but they are now the basis of a new European community.

It seems to me that, despite everything, we are on that path—in the interest of the Croatian people and the Croatian state and in the interest, on the other

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hand, of Serbia and the Serbian people. You can see what is happening, all the developments. The international community is negotiating with Serbia and treats Serbia as an existing player without which the new international order in this region cannot be created.

[Herceg] Ivan Tolj asked the next question.

[Tolj] This fifth anniversary is without exaggeration the most glorious one in the written history of the Croatian people—the fifth anniversary of Croatian statehood. During four of these five years the Croatian people waged a defensive war for the homeland. You commanded it, you commanded the unarmed Croatian people. Nowadays, after Bljesak [Flash—operation to liberate western Slavonia], Serbian media and others even compare us with the Israeli army. As the supreme commander, what do you think about this and how do you see us in the next five years? And in connection with that, there is a great interest among the public about the recently adopted law on armed forces and awards. We on the editorial board of VELEBIT and HRVATSKI VOJNIK get many questions about that. Could you tell us something about it?

[Tudjman] The first Croatian miracle in this world was that we survived the all-out offensive which the Yugo-communist army of Serbia and Montenegro launched against Croatia in the second half of 1991. No one thought at the time that unarmed Croatia would be able to survive. So, with the help of the political awareness and the experience we had [sentence as heard].

I have to admit that I was greatly aided by my practical experience of partisan warfare and the people's defense in the Second World War, as well as by my theoretical experience because, after all, I have studied that. All that helped us overcome all those things.

We have created an army, we shone brightly not only in this latest Flash, but as early as the defense of Dubrovnik, the Maslenica operation and many others, and especially in this latest operation which was a model of a professional military and police operation. We will also show during the celebrations of the fifth anniversary of the independent Croatian state that we have a modern armed force now.

Just as we focused on the issue of peacefully resolving our main problem concerning the occupied areas, we prepared our armed forces—we will continue to do so in the future. We will do everything—with assistance from the international community and our friends and main players in the international arena—to achieve that in a peaceful way, in order to have as few casualties and as little destruction of Croatian towns as possible and in order not to cause, as many fear, an escalation of the conflict through our actions. But, of course, such a policy and our successes and international recognition would not have been won if we had not had, in addition to our rightful policy, support in our armed forces which were an instrument of such a policy.

This celebration of Statehood Day, which is not an ordinary celebration, but is the fifth anniversary of Croatian freedom, the Croatian independent and sovereign state, is something that should be celebrated and remembered even if we did not live under these circumstances, so that we could see what we had done.

It will be a popular nationwide celebration with cultural and military content. Within the framework of this celebration we will obviously try to draw up a balance as far as current circumstances allow. I will speak about the political aspect in the assembly. As for the army, there will be some promotions, decorations. Over the past five years of our independence we have not given more than 50 decorations. This time we will do so in the army and then in the civilian authorities—we will try to pay our respect to the creators of Croatia, defenders—those who have made their contribution to the establishment and the defense and building of Croatia.

It is clear that being focused on all other problems—as far as what we want—we cannot be fully satisfied with what we can do at present [as heard] When you approach the conferring of decorations, and when you have to make decisions, despite the fact that we have set up two state commissions—one for military decorations, one for civilian decorations—this is always very delicate and will surely be a moral act of appreciation, but it will likewise signal the normal functioning of the state in that area as well.

I believe that the most important element in this celebration will be to demonstrate that this Croatian armed force stemmed from the national awareness of the Croatian people, from its readiness and resourcefulness to build an armed force even in circumstances such as those when an embargo was declared against us. And, I mean, we were capable of making our armed force operational so it is here as an instrument of state policy, so our people can trust its authorities, and the world must also take account of the fact that Croatia is ready for cooperation with the world in finding a peaceful solution. By the same token, Croatia—precisely because it has its armed force—will not be willing to endure this unbearable situation, i.e. the occupation of Croatian territories for an indefinite period of time.

This celebration—five years of the existence of an independent and sovereign Croatian state—will therefore be of great significance from the point of view of inter-

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nal policy as well as of international policy, Croatia's international status.

[Herceg] Zlatko Canjuga then asked Tudjman, in his capacity as Ceoatian Democratic Union [HDZ] chairman and president of the Croatian state, to review this period of five years of Croatian statehood.

[Tudjman] Proceeding from our departure point, from the kind of circumstances surrounding us, it is clear that the fact was of decisive importance that in 1989, early 1990 we had a party that dared not only to think of something others did not dare to but dared to present a program of creating an independent and democratic Croatia which won a majority in the parliament. We then repeated this in the second election which we were not formally dutybound to contest, but I contested it precisely so we could consolidate the democratic order and demonstrate to the world that had we not had a majority party in the Assembly, ladies and gentlemen, a Croatian policy such as ours could not have been pursued, had we had been forced into some sort of coalition etc.

At the end of the day, it is no coincidence, it is no coincidence that the offensive such as the one we endured in late 1991, including bombardment of the presidential palace, but also all those attempts at—if you cannot question the president of the republic then you can question the majority position and provoke a rift, etc. [sentence as heard]. These are realities, not some kind of speculation.

Consequently, the fact that we had such a political force and won most votes among the Croatian people enabled us to pursue such a policy in these very complex circumsatnces. Apart from this, everything we have achieved, not just in a military sense—had we not had an army we would not have this either—here, as you know, even in the Croatian Assembly some people criticized us for initially creating the army by enlisting HDZ members and police etc [sentence as received].

Hence, one of the miracles, as they describe the fact in the world that we have survived, is thanks to the fact that we had a majority, that we did not have to be pliable to these foreign influences which you spoke of in your questions. In the economic sphere, the most sceptical experts of world proportions whose experiences range from Europe and Asia to South America ask, wondering at what we have achieved: Please, explain it. The only answer is that you had political leaders who knew what they wanted. This is what it boils down to.

The same goes for this international [sentence as heard]. For example, the kuna. Today, the governor of the National Bank brought me gold and silver coins minted for the fifth anniversary. For God's sake, one had to take that decision—whether we were going to opt for a national currency. Clearly, this was a decision with its political and economic aspects. I knew that it would be history and now, meaning we would get rid of the notorious dinar which was the symbol of the plundering of the Croatian people and that this people which was opting for its own state and would become aware that it had its own currency and that it would also make possible in a political sense a more responsible attitude and so one could demand of the whole administration etc [sentence as heard].

Consequently, in all spheres, including defense, the establishment of administration, the economy, diplomacy, it was important to be capable of pursuing a policy that would take account of internal and international circumstances but which would not be subjected to influences diverting us from our national and state interests.

[Herceg] Once again Ivanka Lucev.

[Lucev] What do you think about us? Not us as individuals, but about the media in which we are employed?

[Tudjman] Why, for God's sake, you are a reflection of the condition of the Croatian soul. The fact that your ranks are full of the old flotsam, you are not personally to blame; this is something that you have inherited, and this has to be overcome. But, still let us be objective in this respect.

It is certain that our media have played a positive role in this wrestling between Croatia and Croatdom and the world as it is. A particular role was played by the radio and television irrespective of everything. But it seems to me that of late a considerable improvement took place—the emergence of the Croatian letter, the emergence of VELEBIT, the army paper, which will not be a subject [as heard].

What is the problem here? The problem is that a picture of Croatia, of the freedom of the media is being created by people who were officials in the old regime, or were by their nationality [changes thought] or did not have the national awareness to go along with their people in the creation of Croatian democracy and Croatian freedom.

[Herceg] Zlatko Canjuga then asked the president if he had anything to tell Croatian youth on the occasion of the fifth anniversary of the Croatian statehood.

[Tudjman] You know what is interesting. We have not got what the socialist system had, and I think that our parties have not shown much concern. But it is completely certain that Croatian youth, taken as a whole, including the most dissatisfied and the most

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revolutionary class of youth—the students, that they were involved in the problems of defense and the building of Croatia at a significant level. I believe this to be a reflection of a general attitude, from the ordinary people, farmers in the field up to universities. When some foreigners say that intelligentsia is not on your side, I say which intelligentsia, show me a country which has as many university professors and engineers in the government, in the diplomatic service and in the army.

The fact that a few scribblers, those who have been branded since time immemorial, from Biblical times, as pharisees, who, I mean, are intoxicated with some kind of, I do not know, some kind of world liberal, let me not add some other adjectives, this does not reflect the true mood of the Croatian spirit [sentence as received]. Understandably, apart from the consolidation we talked about, a demographic and spiritual renewal in this sense, so as to enable the Croatian people to complete this work of establishing Croatia, so we can finish with what we said, so Croatia can be what we want it to be. This is not an easy thing to achieve. Consequently, Croatian people did not have their own state so they do not know that the Croatian state as a whole has to be built in the way a home is built [as heard].

[Herzog] These were long excerpts from the president's conversation with chief editors and commentators in Croatian media.

Tudjman Presents Awards, Confers Promotions

LD2805133795 Zagreb Radio Croatia Network in Serbo-Croatian 1100 GMT 28 May 95

[FBIS Translated Text] On the occasion of Statehood Day and of the fifth anniversary of Croatia's statehood, Franjo Tudjman, president of the Republic of Croatia and Supreme Commander, today—Armed Forces' Day—presented top decorations and promoted officers of the Croatian Army, police, and the Office of National Security. Sanja Rabuzin-Pavic has a report:

[Rabuzin-Pavic] After inspecting the 1st honorary battalion of the 1st Guards' Corps, Supreme Commander Franjo Tudjman presented top decorations. He conferred the Grand Order of King Petar Kresimir IV with sash and Morning Star on Defense Minister Gojko Susak and Corps General Janko Bobetko. The Grand Order of King Dmitar Zvonimir with sash and Morning Star was conferred on Interior Minister Ivan Jarnjak. The Order of Prince Trpimir with chain and Morning Star was conferred on Deputy Defense Minister Josip Juras. Supreme Commander Franjo Tudjman also conferred decorations—including the Order of Prince Domagoj—on others and announced the following promotions: Corps General Janko Bobetko has been promoted to the rank of General Staff General [stozerni general]; Colonel General Zvonimir Cervenko has been promoted to the rank of corps general [general zbora]; Rear Admiral Davorin Kajic has been promoted to the rank of vice admiral; Major Generals Imre Agotic, Mladen Markac, and Petar Stipetic have been promoted to the rank of colonel general. Brigadiers Josip Culefic, Luka Dzanko, Kresimir Kaspar, Ivan Tolj, and Miroslav Tudjman have been promoted to the rank of major general.

Supreme Commander Franjo Tudjman then made an address to those decorated and promoted.

[Begin Tudjman recording] I conferred the decorations you have just received on behalf of our homeland to show gratitude for your participation in the creation, defense, and building of Croatia in the most sensitive area of the defense of the country and the building of national security. In addition to decorations, promotions were given to those who, according to the law and their contribution, deserve them.

As I said, the decorations that have been conferred on you are a sign of appreciation, but they also demand that you continue as you have done thus far to win these decorations and promotions, that you set an example to others and to live up to the trust which I have bestowed on you as head of state on behalf of the state. I wish you much success in your future work in the interest of our Armed Forces, our national security, in the interest of our Croatian homeland. [end recording]

[Rabuzin-Pavic] General Staff General Janko Bobetko thanked President Tudjman on behalf of those decorated and promoted:

[Begin Bobetko recording] We are proud, and we hope our Croatian people is also proud, that this action confirms the work and dignity of our people, its devotion, national awareness, and resolve to bring our country back into its internationally recognized borders including the last inch of its territory. I would like to thank you as our supreme commander for having objectively and conscientiously followed and assessed our work and thus obliged us to perform our national tasks consistently and honorably as we have done so far. [end recording]

[Rabuzin-Pavic] The ceremony was also attended by representatives of the Assembly, the Croatian Government, and other officials and foreign military envoys.

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Tudjman Speech at Honor Ceremony Viewed

LD2905224895 Zagreb HTV Television in Serbo-Croatian 1730 GMT 29 May 95

[Video report, including recording of speech by President Franjo Tudjman]

[FBIS Translated Text] Parliament Speaker Dr. Nedeljko Mihanovic presented President Tudjman with decorations conferred on him by the Chamber of Deputies at its session held this afternoon. [video shows details from Zagreb; speaker Mihanovic presenting Dr. Tudjman with one of the nine decorations he received from the Croatian Parliament today; Croatian leaders attending ceremony]

[Tudjman] Mr. Speaker of the Croatian State Parliament. I thank you for the Croatian parliament's decision to confer the decorations on me. I believe they are among the decorations I conferred, in the name of the homeland, on all of you present here and others [as heard]. They are a reflection of the homeland's recognition and gratitude for everything that every one of us gave in these historical moments of setting up, defending, and building the democratic, independent, sovereign, and internationally recognized state of Croatia.

Ladies and gentlemen, all of us in our respective fields of activity—from sportsmen in sport arenas to economists in their areas, artists and scientists, we state officials—all of us made a contribution on this path of resurrection of the Croat nation and its state. With these decorations our state has begun to function normally. As you can see, we were not able to present all decorations today because they have not been manufactured yet.

However, we have initiated this practice which belongs to the normal functions of all sovereign states. With these decorations we primarily honored our people, who directly participated in the struggle for Croatia. However, we also conferred decorations on certain people from abroad, those who were with us during Croatia's struggle for survival and international recognition, who promoted the truth about Croatia in the world.

The fact that we conferred decorations on Croat representatives from Bosnia-Herzegovina is of particular importance. They were together with us, initially in the struggle against the Yugo-communist and Serb aggression in Croatia and then they headed the war, the struggle for the survival of Croathood in Bosnia- Herzegovina. Now they are working on building the Bosnian Muslim-Croat federation and laying the foundations for a confederation of the [Muslim-Croat] federation with Croatia.

This is all a part of this year's Statehood Day celebrations, the fifth anniversary of the independent, sovereign, and internationally recognized Croatia. It is all part of a celebration marking that great historic event, the turning point in the life of the Croatian nation. Naturally, we are honoring individuals but we also want to manifest the fact that we are already an organized state in every aspect.

Tomorrow's celebration will show the world that we have matured as a state. We will also show that we have the means for [changes thought], for our policy regarding the peaceful resolution of the occupied areas and our efforts to make a contribution in setting up the new democratic order in a peaceful manner—we will also tell our people to trust us to liberate more occupied areas, and tell the world that we will have the means as a sovereign state to do this areas in every possible way.

Susak on UNCRO Mandate, Military Action

AU2705144295 Paris AFP in English 1406 GMT 27 May 95

[FBIS Transcribed Text] Zagreb, May 27 (AFP)—Croatia promised Saturday [27 May] not to launch pre-emptive strikes on separatist Serb positions for the duration of the UN peacekeeping force's mandate.

"Unless we are provoked I don't foresee military action in Croatia before the expiry...of the mandate...." Croat Defence Minister Gojko Susak said in an interview published Saturday in the Zagreb daily VECERNJI LIST.

The UN Confidence Restoration Operation (UNCRO) mandate was agreed March 31 and lasts for eight months until the end of November.

However Croatia launched an offensive against the separatist Serbs on May 1 and 2 and regained the key Croatian Serb-held pocket of western Slavonia in the east of the country.

"I don't think we would have the international community's tacit blessing to settle the situation in Croatia by military means as long as UNCRO's mandate lasts," he said.

Tudjman Military Adviser on Army's Future Plans

AU3005201095 Zagreb GLOBUS in Serbo-Croatian 26 May 95 pp 15-16

["Exclusive" interview with General Anton Tus, "special" military adviser to Croatian President Franjo Tudjman, by Davor Butkovic; place and date not given: "Croatian Army Will Have 500 Tanks, 800 Armored

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Personnel Carriers, More Than 1,000 Guns, Surface-to-Surface Missiles, and 150 Aircraft, and This Will Cost the State 6 Percent of the National Income"]

[FBIS Translated Excerpt] [Butkovic] What are the main characteristics in the development of the Croatian Army since 1991?

[Tus] The development of the Croatian Army could be divided into three main stages. The first stage encompasses the period until the end of 1991, when the Croatian Army was being created, and when, together with the people, it managed to defend the sovereignty and independence of Croatia in the homeland war.

The second stage began with the decision of the president of the republic to gradually demobilize nearly 50 percent of the wartime Croatian Army personnel, and with the arrival of UNPROFOR [UN Protection Force] in Croatia at the beginning of 1992. [passage omitted]

Third Stage in Croatian Army's Development

[Tus] When we carried out mass demobilization in 1992, we wanted the Army to be structured in that way. We did not demobilize those units that could be used in maneuvers, offensive operations along with the four professional guard brigades that existed at that time. In addition, in 1992, we increased the number of guard brigades. We set up the Vinkovci and Gospic Guard Brigades. After that we set up two more professional brigades, a guard brigade in Varazdin and the Military Police Assault Brigade.

[Butkovic] What is the role of the 1st Guard Corps in the Croatian Army structure?

[Tus] The 1st Guard Corps has two tasks: Some of its units are in charge of the security of the supreme commander and honoring activities, while other units take part in combat tasks, and perform duties that are otherwise performed by special purpose units. [passage omitted]

[Butkovic] What will the Croatian Army look like in the near future?

[Tus] The Croatian Army will have professional and mobile units, and will have about 30,000 men in peacetime. Furthermore, there are about 25,000 Croatian citizens liable to conscription every year, which means that we count on some 20,000 newcomers. This means that the Croatian Army will have between 50,000 and 60,000 men.

[Butkovic] How many men can the Croatian Army mobilize in wartime?

[Tus] In wartime, we count on 8 to 10 percent of the population. This means that we can mobilize more than 400,000 people.

[Butkovic] How should the Croatian Army be armed in the future?

[Tus] We have made an assessment of how the Croatian Army should be equipped technically, and this assessment is based on the so-called defensive sufficiency [obrambena dovoljnost]. The defensive sufficiency criterion takes into account the size of the country's territory, the length of the border, its shape and depth, and everything necessary to cover a theater of war. I think that Croatia needs 500 modern tanks, 800 armored personnel carriers, more than 1,000 guns over 100-mm caliber, modern air defense for low and medium altitudes, modern antitank systems, short and medium range surface-to-surface missiles, 150 fighter aircraft and helicopters, and 30-40 warships of all types.

Regarding some elements of this desired combat arsenal, such as our air force, we are at the very beginning, but some requirements have already been fully met.

Military Schooling

Maintaining this level of Croatian Army's technical capability will cost the state about 3 percent of the national income, but until we reach this level, this will cost us 5 to 6 percent of the national income for several years.

[Butkovic] How will you solve the problem of education of officers?

[Tus] We already have a Military Academy, which should operate as part of Zagreb University. The idea is that future officers complete regular university education and, during the studying, and especially after it, when they enter the military service, go through a special military training program and attend courses in general military knowledge and skills. This should be an integral part of the Croatian Army officers' education.

Regarding specialized training such as that of a pilot of a fighter aircraft, the procedure is very clear. The candidates will spend the first two years at the College for Communication, after which they will go to the pilots' training college. They would then spend two years learning to fly training and fighter aircraft, and of course, complete the course. After that, if necessary, they would go on retraining for the type of the aircraft that is introduced in the air force. Retraining can also take place abroad, in the country that manufactures the aircraft. [passage omitted]

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[Butkovic] In your view, what are the main shortcomings of the Croatian Army?

[Tus] What we must strive for is that the human factor and hardware are at a high level. The latter, the quantity and quality of hardware has not been attained yet, partly because of the embargo, partly because we do not have the necessary military production. Along with high morale, which we already have, our future preoccupation will be technical modernization and the harmonization of firepower and mobility so that Croatian Army can continue to successfully accomplish its defense tasks.

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New Developments in Relations With Greece

AU3105065895 Skopje MIC in English 30 May 95

[FBIS Transcribed Text] The Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] Television brought a commentary on the Macedonian-Greek relations on Sunday [28 May]. The commentary says:

"Unlike many times so far, these days, without much noise, which sounds quite wise, it seems something's moving on the line Skopje-Athens. Of course, through the unavoidable international mediators. Such, although not categoric, is the conclusion that can be drawn following the latest statements of President Gligorov about the fate of the Macedonian-Greek negotiations, during his visit to Rome and the Vatican, and the express old-new Friday commentary of official Athens, following them.

"The initial impression, as we said, although objectively incomplete due to the unexplained absence of more tangible facts, puts our readiness to resume the negotiating process with direct meetings of the first men of both countries, which we expressed long ago, in the foreground."

After this commentary, MTV broadcast President Gligorov's statement: "At any time and with great pleasure, I proposed in one of my letters, in a phase of mediation of the gentlemen Vance and Nimetz, that the direct dialogue between the leaders of both countries will surely contribute to the settling of the problems."

In continuation, it is said: "This opinion could also be acceptable to Greece, not only because it is coming from our president, but because, more or less, it promises success.

"Actually, both Skopje and Athens know best how, what, and up to where they can negotiate. Furthermore that there can be no lasting winner or loser—that is more than clear, in the Macedonian-Greek dialogue. To the contrary. It would be expected to talk about the degree of mutual benefit which both neighbors can have, as well as their people's, who are naturally directed one towards the other, who have been anticipating for a long time already, that their leaderships will show that they are theirs. And, to do that without a shadow of doubt, that the decision, at whose ever proposal, to meet eye to eye, will give some kind of value."

Kiro Gligorov: "But, maybe at this moment, it can be said one initial hope exists for that. And, I'm also taking into account all the difficulties and disappointments we have been through. But, let's hope that this so-called initial hope, I'd say, for rational, real negotiations, does exist."

MTV comments again: "The initial hope that President Gligorov mentions, having in mind our stand and the conveyed stances by Vance and Nimetz, from Rome, about 'certain signs and greater understanding from the Greek side,' is a good basis for Skopje and Athens. So, then the international mediators should help as much as necessary, not more. They should try, as soon as possible, to sit down and review, step by step, all the questions that would be vital for the establishment of normal relations between the two countries. And, the way as is suitable for members of the European house. Without preconditions, outwitting, and most important, without the damaging, and not only for Skopje, embargo from Athens. Cause, it would be an illusion that under conditions of any kind of restrictions, it would be possible to talk, regardless of the wishes and pressure."

Comment: Mutual Interests in Relations With Italy

AU3105103995 Skopje NOVA MAKEDONIJA in Macedonian 30 May 95 p 2

[Commentary by Nevenka Mitrevska: "Friendship Enhanced by Interests"]

[FBIS Translated Text] Last week, the visit of the Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] government delegation—headed by President Kiro Gligorov—to Italy and the Vatican had all the attributes of an official visit, although it was planned as semiofficial. Only the reception at the airport, which is usually organized on such occasions, was missing. Nevertheless, the meetings, the talks, and the treatment extended to the guests from the Republic of Macedonia were truly on a state level, and the atmosphere was noticeably friendly.

However, in policy there is no friendship; only interests—and this will be tackled later. In the talks between President Gligorov and Italian President Oscar Luigi Scalfaro, as well as of the ministers of foreign affairs Stevo Crvenkovski and Susanna Agnelli, the Republic of Macedonia was treated as a developing country—which, among other things, gives it the possibility of receiving humanitarian assistance for various purposes; and Italy promised that—although it has been supporting our country on the international level so far as well—it will be more engaged in helping us overcome the obstacles on the road to our association with the EU. In the discussions with a group of Italian businessmen it was agreed that a delegation of this powerful association with important international contacts and cooperation will visit Macedonia soon to see the possibilities in projects related to the East-West corridor, which is of great interest to Italy because it represents its "access" to Europe.

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At the meeting between President Gligorov and Pope John Paul II, as well as the Macedonian delegation and Vatican Secretary of State Angelo Sodano, the Holy See expressed its willingness to help Macedonia establish diplomatic relations with Latin American Catholic countries. It was also announced that the Vatican will appoint its ambassador to Macedonia this September. He will be first first in Ljubljana, and until then the Holy See will have a representative office in Skopje.

In order to assess the results of the visit, it is equally necessary to mention the parallel visit of the Macedonian Orthodox Church delegation headed by Archbishop Mihail. The delegation was in Rome to commemorate the Slavic educator St. Cyril and was given a special reception organized by the head of the Catholic Church. It was an act of friendship and accord, as well as a sort of recognition of the Church and of its national significance in the Orthodox countries.

The general atmosphere of closeness and readiness to cooperate was bolstered by a number of agreements that were signed by Macedonian and Italian representatives during the visit. "Pal Air Macedonian" [air transport company], which has been flying from Skopje to Rome for an entire year, signed an agreement with "Alitalia" and now it is in the booking system for all European, Middle Eastern, and overseas flights on the planes of this Italian airline. A delegation of the Macedonian Tourist Association agreed with its Italian colleagues to include our country in the commemoration of the 2,000-year Jubilee of Christianity, in which the hundreds of thousands of tourists expected to flood Italy will be "redirected" to Macedonian tourist centers....

It would not be true to say that the results accomplished with the visit were only tokens of friendship and readiness to help Macedonia. It is true that Macedonia has earned rapport and friendship through its reasonable and peaceful policy, through its skill to win and maintain its independence without being involved in any bloody Yugoslav or internal interethnic conflict, because it demonstrated a readiness to cooperate with all and not be affiliated to any particular neighbor—and yet Rome and the Vatican were guided by their own interests in expressing their disposition. As one of the most developed countries in Europe, as well as a member of the EU, the Group of Seven, and NATO, it is normal for Italy to have ambitions for a greater role in the global political decisionmaking; moreover, it has an economic potential that is seeking expansion in new territories. The Balkans, where war is now being waged, is in its neighborhood and the newly formed Balkan states in transition are its closest markets. In this context, the visit of the Macedonian delegation is of great importance for the reactivation of Italy in the Balkans just at the time the war in Bosnia is being "accelerated."

The interest of the Vatican in Macedonia and particularly the meeting of the heads of the Catholic and Macedonian Orthodox Churches caused a wave of mistrust in the neighborhood, and "pros" and "cons" of a Uniate Movement in our country, although the Macedonian Orthodox Church is no less Orthodox than any other Orthodox church. At this moment the Vatican is far from wishing for "bloodshed" with the eastern Christians, not even by attracting a relatively small number of the Macedonian Orthodox Church devotees, although the Pope came out with an initiative in his epistle on 2 May. It may sound grandiose, but if the Vatican has any "plans" with the Macedonian Orthodox Church, these plans are more likely in the sense of using it as a future bridge for reconciliation of the Eastern and the Western Churches, than for "associating" it to itself. If this hypothesis is true—and everything that was seen and said in the Vatican last week indicates this—it could all be in the interest of the Macedonian Orthodox Church and of Macedonia as a state.

Army Starts To Employ Professional Soldiers

AU3005173395 Skopje VECER in Macedonian 26 May 95 p 7

[Article by S. Dimevski: "Professional Soldiers Also in Line"]

[FBIS Translated Text] Some time ago, in accordance with the Law on Defense, a number of part-time soldiers joined the Army of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM]. They will be professionals with precisely defined tasks and assignments. This prompts one to ask whether and to what extent our army will become a professional one—that is: what kind of part-time soldiers (professionals) will be employed, what assignments they will be trained for, and what is the purpose of this model. These questions can only be answered by competent people in the Ministry of the Defense and in the General Staff of the ARM [Army of the Republic of Macedonia].

Partial Use of Professionals

It is obvious that this was not a unplanned step because some of the Defense Ministry staff have already been seeking the most suitable model for turning the ARM into a professional army adapted to our own conditions and possibilities. According to Aleksa Stamenkovski, deputy secretary of the Defense Ministry, the basic intention of the model for professionalization is to ensure that the Army functions as efficiently as possible.

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Professional soldiers are engaged throughout the world. They serve in all corps and services and their efficiency is greater than that of conscripts. They are employed in duties involving the use of expensive equipment and requiring long and expensive training where, according to Stamenkovski, technical failures caused by lack of professional skills cost more than employing professionals for the job.

In our country, the staffing of units totally with professionals is only possible in the case of a number of special units and locations, where greater professionalism breeds greater efficiency and costs are decreased. According to Stamenkovski, until now professionals have been engaged in special police and border units, and there are also plans to use them to operate the air defense, communications, and expensive surveillance and information systems, mostly in mobile units.

"Since a fully professional army is too expensive and therefore only big powers and rich western countries can afford it, we have chosen the model of partial professionalization. In contrast to countries that have totally professional armies, whose composition may change at different periods depending on the current political and economic situation and the overall level of tension in the world, we have chosen the concept of partial employment of professionals in the army. Our defense is provided by two equally important entities—the permanent army staff and the reservists," Stamenkovski explains.

Engagement and Standards

According to Stamenkovski, the permanent army staff, which is composed of soldiers performing their regular army service, professional soldiers, officers, and civilians, has the duty of protecting and securing the border. In addition, soldiers are trained as reservists for military assignments that they can fulfill if recalled as part of a mobilization to counter a possible attack.

"Our total military manpower is equal to 10 percent of the able-bodied population, while the strength of the serving army makes up 0.6 to 1 percent of the total number of the working population. This percentage is comparable to that found in all countries with parliamentary democracies. On the other hand, the number of reservists varies from country to country, depending on the assessment of the danger, the possible aggressor, his strength, and the possibilities of the country itself," Stamenkovski says.

The model of partial professionalization that has been adopted in the Macedonian National Defense is being followed in parallel with transforming the army to conform with NATO standards. As Stamenkovski himself says, "we are now in the process of finalizing the organization and formation of our army according to NATO standards. When this has been accomplished, we will finalize the concept for employing professional soldiers and define certain units according to their activities and the tasks to which they will be assigned. That is why in the partial professionalization model the main thing is to organize the army more rationally, because, quite apart from ensuring that the tasks are fulfilled more efficiently and professionally, we believe that it is cheaper for us to employ part-time soldiers in some services."

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Deputy Defense Minister Danuta Waniek Resigns

LD3105090295 Warsaw Polskie Radio First Program Network in Polish 0600 GMT 31 May 95

[FBIS Translated Text] Deputy Defense Minister Danuta Waniek from the Democratic Left Alliance [SLD], the only representative of the coalition in the Defense Ministry, has submitted her resignation, which was immediately accepted by the prime minister.

Danuta Waniek announced her intention to leave the Ministry several weeks ago, soon after she was appointed head the electoral campaign of Aleksander Kwasniewski [SLD leader]. Aleksander Kwasniewski is a prospective candidate for the presidency.

Danuta Waniek's resignation has coincided with the truce between the president and the prime minister. The ZYCIE WARSZAWY daily quotes rumors circulating in some parliamentary circles that Danuta Waniek's resignation is the price that Prime Minister Jozef Oleksy has paid for a temporary truce with President Lech Walesa.

Report on Resignation Denied

LD3105090795 Warsaw Polskie Radio First Program Network in Polish 0800 GMT 31 May 95

[FBIS Translated Excerpt] Government spokeswoman Aleksandra Jakubowska has denied press reports that Deputy Defense Minister Danuta Waniek's resignation from the Defense Ministry was the price Prime Minister Jozef Oleksy has paid for a temporary truce in relations between him and President Lech Walesa. Such information was published today by the ZYCIE WARSZAWY daily. [passage omitted]

Air Defense Forces Begin Exercises in North

LD3005090495 Warsaw PAP in Polish 0648 GMT 30 May 95

[FBIS Translated Text] Koszalin, 30 May—A two-day exercise of air and air defense forces "Karat-95" began on 30 May at the training ground in Wicko Morskie near Ustka [northern Poland]. According to Lieutenant Colonel Zdzislaw Czekierda, spokesman for the chief of general staff, this is the largest exercise of these forces this year.

The 2d Air Defense Corps has the task of beating off an enemy attack and protecting its own facilities. Taking part are combat aircraft and helicopters supported by the Navy. Gun and missile target practice is also taking place.

Presidential Aide on Relations With Russia

WS3005080095 Warsaw GAZETA WYBORCZA in Polish 26 May 95 p 6

[Interview with Andrzej Zakrzewski, head of the Polish Office of Presidential Political Services, by Agnieszka Kublik and Edward Krzemien; place and date not given: "Russia Is Like the Weather"]

[FBIS Translated Excerpt] [GAZETA WYBORCZA] What are relations like today between President Walesa and Russian President Yeltsin?

[Zakrzewski] There are no relations at all. There are not even telephone conversations. I am sorry that the situation is such as it is. I would say that there are mental similarities between the two presidents; also the fact that they held distinctly separate places on the two political scenes makes them similar to each other. In the past [in telephone conversations] they explained in this way many "urgent" issues as they emerged.

[GAZETA WYBORCZA] What are our relations with Russia, then?

[Zakrzewski] After a period of decreed friendship, we have entered a period of certain normalcy, to use Walesa's language. There are fluctuations. There are times when relations are warmer, and times when they are cooler, due to some incident. You could say it is similar to hearing a weather forecast: Sometimes we are taken aback by a rapid change in the weather...

[GAZETA WYBORCZA] Poland's policy makers are striving to develop good-neighborly relations with Russia. However, this outstretched hand is poised in the air...

[Zakrzewski] Russia is a problem for Poland, whereas Poland is no problem for Russia. Our view of the configuration of forces in Europe and in the world focuses too much on Poland. We must finally realize where we belong. We are a second-rank partner for Russia.

[GAZETA WYBORCZA] Thus, our relations with Russia will not be such as we would like them to be.

[Zakrzewski] A lot depends on ourselves, on our open attitude. We must visit Russia and hold talks. We must be patient and we must invite them to visit us.

[GAZETA WYBORCZA] Lech Walesa's evaluation of Russia's policy regarding such things as NATO expansion or Chechnya is very sharp. Is it helpful?

[Zakrzewski] The rhetoric is very strong indeed, especially in face-to-face talks with Russian politicians, such as Prime Minister Chernomyrdin. Walesa makes one

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thing clear: Poland is a sovereign country and it will not wait for Russia to allow us to join NATO. This issue will be decided by Poland and NATO. However, he would like Russia not to submit any objections. On this he is adamant and firm; he is also consistent.

As a Nobel Peace Prize winner, Walesa could not go to Moscow to observe the reviewing of the troops. He did say, however, that the Chechen issue is an internal affair of the Russian Federation, because the Federation's borders are such as they are. Nonetheless, it is not good, he said on many occasions, if national or political conflicts are resolved by means of methods as the one used in Chechnya.

[GAZETA WYBORCZA] Walesa even went so far as to say that it is a "dirty war." Why, then, did he assure the Russians that the "Free Caucasus" radio would not be established?

[Zakrzewski] First, it must be investigated who wants to establish the radio...

[GAZETA WYBORCZA] The Chechen Information Center in Krakow.

[Zakrzewski] What kind of a center is that?

[GAZETA WYBORCZA] Are you suggesting anything?

[Zakrzewski] If a foreign institution or organization wants to open a branch office in our country, we must know the people who are behind the project; we must also know their goals and links.

[GAZETA WYBORCZA] There is no such information.

[Zakrzewski] I do not have it. Now, there is also a question that is probably even more important: Does Polish law allow for the establishment of such a radio?

[GAZETA WYBORCZA] This would be a radio that would support a nation in its battle against an empire against which Walesa himself used to fight. Let us set the law aside and ask the following question, then: Does Walesa believe that such a radio cannot broadcast its programs from Poland?

[Zakrzewski] He did not fight against the Russian Federation; he fought against the policies of the former Soviet Union. Walesa would probably have nothing against independent organizations—not only the Chechen center—spreading words of freedom. I will, however, say this quite frankly: If we are to wage a war with a big neighbor over such an issue—it is, after all, the issue of a radio station and not the issue of Chechnya—then I believe that the president will prefer peace with Russia.

[GAZETA WYBORCZA] That means that the "no" for the "Free Caucasus" radio is strictly a political decision?

[Zakrzewski] The decision must be made by the National Council of Radio and Television...

[GAZETA WYBORCZA] Which cannot ignore the interests of the state, expressed explicitly by Walesa.

[Zakrzewski] Still, it is the council that makes the decision.

[GAZETA WYBORCZA] You call yourself a "minister for history." In the Chancellery you are responsible for the commemoration of anniversaries. You will make the final attempts to shed more light on the Katyn massacre, which will also be the last great anniversary commemoration during Walesa's term of office. Meanwhile, progress on the issue is still difficult, due to lack of cooperation on Russia's part.

[Zakrzewski] Our sensitivity to these issues is different than that of the Russians. There are bones under every tree in Russia. Figures are given: 100 million victims of wars, revolutions, and Stalin's terror. The Russians do not understand why we are going to such great lengths to see to it that 30,000 victims are commemorated. All the more so because they themselves have not settled accounts with their own past yet. [passage omitted]

[GAZETA WYBORCZA] On Wednesday Minister Sergey Filatov, head of President Yeltsin's administration, laid the cornerstone for the future Russian cemetery in Katyn.

[Zakrzewski] I watched this ceremony on "Vremya," the Moscow television newscast. Minister Filatov also laid wreathes on Polish graves in the Katyn forest. I felt sad that our Russian friends did not invite any Poles to those ceremonies. My visit to Russia was scheduled for the next day. I could have been there in Katyn with them. Is it a sign that the Katyn anniversaries will be commemorated separately: Poles will commemorate them by themselves and Russians by themselves? It will be very bad.

Secrecy on Gazprom Deal Arouses Suspicion

95EP0111A Warsaw GAZETA BANKOWA in Polish 7 May 95 No 19, pp 1, 21

[Article by Grzegorz Lys: "Dancing With Gazprom: Is the Pipeline From Yamal Good for Poland?"]

[FBIS Translated Text] Criticisms of the project for building the gas pipeline from Yamal and the related guesswork and speculations, however mistaken they may be at times, are largely due to the secrecy veiling the preparations for undertaking that project.

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The supporters of the "Big Pipeline" should, also in their own interest, dispel the growing doubts—if they can do so. Construction is just beginning. Fortunately, its first stage, the 102 km long single segment of the pipeline linking our gas distribution system to the West European system, is not controversial, since it certainly will prove necessary as the gas can flow in both directions.

The suppliers of turbines for the pump stations on the pipeline route are to be, according to the Russian side's plans, Ukrainian plants in Nikolayev. The Ukrainian producers will also probably provide the compressors and some pipe sections. By providing the equipment for building the pipeline, Ukraine will repay the Russian Gazprom the arrears it owes for natural gas supplies. Even now it can be clearly seen that, given the predominance of Russian interests, most Polish enterprises, which had been counting a great deal on participating in implementing this project—such as the Elblag affiliate of the ABB, which makes better and more modern turbines than the plant in Nikolayev—will not be invited to the feast.

Any major advantages from building this pipeline can be derived only by a few highly specialized Polish enterprises, such as Gazomontaz or Gazobudowa. The others will lack not only clout but also appropriate capacity and experience. As known, the Russian side reserved for itself the right to employ its citizens on construction areas in Poland without having to apply for work permits, and it is certainly going to utilize that right fully.

However, while the profits for Polish industry and construction companies will be smaller than expected—and that expectation had been a major argument in favor of building the pipeline—this is only one, and not the most important one at that, reason why experts are becoming increasingly critical of the pipeline project.

Even the experts who had initially supported this project are against it now.

As the deadline for commencing excavations for the first pipe segments approaches, doubts are increasing. This does not refer to the obsessive fears of certain factions of the Polish Right about the potential for the exertion of political pressure by the Russians by turning on or off the symbolic gas "faucet." This concerns the adverse economic consequences which may result from excessive dependence on the [Russian] Gazprom, which is the world's largest natural gas exporter and viewed as a particularly aggressive partner.

Too Much Gas

The conceptual basis of the gas pipeline project is the forecast of gas demand, according to which the overall demand for gas in Poland in the year 2010 will be 27 billion cu m annually as per the so-called low variant and 37 billion cu m as per the high variant. These expectations have recently been questioned by some experts. In the last two years gas consumption in Poland has not increased, and in per-customer terms—considering that in the meantime about 200,000 new customers have been gained—it is even declining. Only 17 percent of private customers are using gas for heating purposes, at a rate averaging about half as high as Danes, who live in a similar climate. But the biggest unknown is the demand by the power industry, which currently is negligible but which forecasts estimate at 7.5 billion cu m in 2005 and 10 billion cu m in 2010. Power plants have not as yet made public any growth plans that would entail such a substantial increase in gas purchases. This means that the demand for natural gas may not be as tightly stretched as has been officially assumed. Hence the substantive question, which is increasingly asked, whether the "Big Pipeline" must be that big, whether we must build it right now, and even whether it is needed at all.

The construction of huge pipelines is no longer a major technological challenge nowadays, not even when the terrain conditions are difficult. Still, projects such as the Yamal pipeline, while no longer an engineering challenge, are among huge financial undertakings. The Polish segment of the Yamal pipeline alone is to cost $2.4 billion—an amount that is $1.1 billion lower than the original cost estimate but still makes experts sit up. The assumptions as to the financing of the construction and the subsequent economical operation of the pipeline, while largely veiled in secrecy, elicit many reservations among Western experts.

"A Long-Distance Dream"

The Russians intend to pump westward across our territory 51 billion cu m annually, not including the 14 billion cu m allocated to Poland. But the identity of the recipient of such huge shipments still remains unknown. About 10 billion cu m annually will be purchased by a big German distributor, Wintershall, a company which is a regular customer and partner of the Russians; the French Gas de France intends to buy 4 billion cu m; and Austrians are interested in 1 billion cu m. It is not known whether the German Ruhrgas, which is at loggerheads with both Wintershall and Gazprom, will decide to buy the Yamal gas—that would mean the purchase of about 8 billion cu m annually. But however we calculate them, the current options for shipments via the new gas pipeline total less than the transmission capacity of just one of the two anticipated directions of the pipeline.

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Contrary to appearances, this is not just a Russian problem. Pipeline financing is arranged on the basis of letters of intent from future customers, and if there are not enough purchasers, the project may come to a standstill. The Western specialist press even now calls the Yamal pipeline "a long-distance dream." If for example this project is not completed, that long-distance dream could cost us as much as $350 million, that being our contribution—in the form of government-guaranteed credit—to the construction of the Polish segment.

The Russian plans for exporting gas—like all the other activities of the Gazprom, which surpass in scale even the biggest Western producers such as Shell, Exxon, or Mobil—attract the attention of energy experts all over the world. As known, concurrently with the preparations for building the Yamal pipeline, the Russians are augmenting, by raising the pressure, the transmission capacity of the gas pipeline running across Ukraine, Slovakia, and the Czech Republic, and planning to reinforce it by building yet another segment. That would serve to pump altogether 100 billion cu m of gas annually to the West. As disclosed by Gazprom representatives, the combined transmission capacity of the gas pipelines linking Russian to West Europe is soon to reach about 200 billion cu m. If, as likely, the demand will be below the transmission potential, Poland shall never gain the privileged position of the custodian of the sole westward route of Russian gas and the first-in-line country on that route, which is supposed to assure us of continuity and certainty of gas supplies from the Yamal pipeline. The Russians, who in each case have a choice, will not have too much regard for the wishes of the countries across which the pipelines are running—that is unless we consider the pipeline segment which is to run across our territory to Kaliningrad as a bargaining card.

Mysteries of the "Big Pipeline"

Clearly, the above are merely hypotheses which are yet to be proven. But there is no doubt that the least lack of caution in dealing with the Russian gas giant may end in serious harm to us, even in the absence of hostile intent on its part. We are an incomparably weaker partner, and the position and qualifications of Polish negotiators are not equal to the skills of their Gazprom counterparts, who are experienced in longtime dealings with the entire Europe. Many experts fear that, e.g., we may be the losers not just in the project itself but in terms of the rules for gas purchase. This is indicated by the present situation: Aside from the gas provided as part of settling accounts for the work done by Polish companies on the Orenburg and Yamburg gas pipelines, we are paying for Russian gas more than Western customers, since we purchase it through spot-type transactions owing to the absence of longterm contracts.

Shipments of gas through the Yamal pipeline will most likely be based on the "take or pay" principle of longterm contracts, which means that payments have to be made for the gas placed at the buyer's disposal even if it is not actually collected. The experts are worried that in the event of erroneous estimates of domestic demand and the contractual prohibition against resale of gas surpluses abroad, this would be a veritable financial trap.

A new tactic of the Russians, who recently have been pursuing the aggressive strategy of turning their gas recipients into direct customers, may be the TPA ("Third Party Access") principle, advocated by supporters of competition in the energy industry, which provides for the obligation of granting to third parties access to the gas distribution network. This principle, which is also contained in the draft of the Polish energy law, would in practice enable the Russian Gazprom to sell gas directly in Poland. At the same time this would not relieve the Polish side of the obligation of paying for the attendant unavoidable surpluses of Yamal gas.

No one in Poland intends to claim that we can manage without Russian gas. But it is not unlikely, according to certain opinions, that, given a demand smaller than envisaged, the current gas distribution system could, after it is reinforced and modernized, cope with the distribution of an additional 5-10 billion cu m annually. That additional amount could be obtained by expanding domestic extraction, obtaining methane from coal deposits, and getting gas from foreign sources other than the Russians. Yet the search for alternative sources of natural gas such as, among other things, diversification of imports, has lately been pursued much less energetically—and that is one of the first unfavorable consequences of the signing of the contract for building the "Big Pipeline."

Oleksy Satisfied With Walesa Meeting

LD3005120895 Warsaw PAP in Polish 1158 GMT 30 May 95

[FBIS Translated Text] Warsaw, 30 May—Prime Minister Jozef Oleksy has described his today's meeting with the president as a conversation "in a very good atmosphere" about important issues of the state, "devoid of any element of conflict." "I wish such conversations proceeded in this manner every time," he added.

Oleksy said that he briefed the president on government information and assessment of the current situation in the country and on activities of the Council of Ministers

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concerning the issues, "resulting in demands during protest actions." In the prime minister's view, many demands arise from a lack of information on actions by the government on these issues.

Oleksy Admits Privatization Has Slowed

LD2805205095 Warsaw Third Program Radio Network in Polish 2000 GMT 28 May 95

[FBIS Translated Text] Prime Minister Jozef Oleksy says that the Solidarity demonstration on Friday had a political aspect. Speaking on a TV program called "The Special Line," the prime minister admitted that privatization progress had slowed down in the past six months.

In Oleksy's view, many demands submitted by Solidarity have an antiprivatization nature.

[Begin Oleksy recording] Delaying the privatization processes that run in many different ways in Poland, and on the other hand, a sharp criticism of Poland for delays in privatization is a contradiction that may be a subject of various talks. And it should be. I really want to acquaint myself with the outcome of the Solidarity referendum, but I am afraid that, although taken in the best intentions, they will stand in opposition to completely rational demands to privatize. The Solidarity slogan about the universal enfranchisement of citizens must sooner or later be discussed jointly, because keeping things unclear is much more harmful than just rejecting an option. [end recording]

Minister Hopeful Despite Privatization Figures

WS2605144995 Warsaw GAZETA WYBORCZA in Polish 26 May 95 p 20

[Article by Artur Morka: "Will Kaczmarek Fill Quota?"]

[FBIS Translated Text] For the five months of 1995 [Privatization] Minister Kaczmarek has privatized four companies in the process of capital privatization. However, he is optimistic, and announces that now he will really get down to work.

"Every year the rate of privatization falls in the first quarter; June figures should be better," Minister Wieslaw Kaczmarek assured journalists yesterday.

In the immediate future the minister would like to complete privatization in the following companies: Ozarow cement mill; Winiary; breweries in Wroclaw, Tychy, and Lezajsk; Kety steel works; Impexmetal; Cable Factory in Ozarow; Elektrobudowa; Stomil Olsztyn; Foodstuffs Wholesale Companies; RUCH; Centrum Department Stores; as well as in most tobacco plants. Some of these firms are to be listed at the Stock Exchange, others will be bought by large domestic and foreign investors.

The minister conceded that it is not very likely that there will be enough time this year to start the privatization process in the Polska Miedz [Polish Copper] company. "We will certainly do it before the Miners Day [4 December] 1996," Kaczmarek said.

He is hoping that in the immediate future the parliament will pass bills, approved by the government, on commercialization and privatization of state-owned companies, as well as on compensations for property taken over between 1944 and 1962.

Asked how big the delay in the implementation of the Mass Privatization Program [PPP] is, Minister Kaczmarek said that last year the delay was 12 months, and now it had decreased to eight months. The ministry claims that distribution of the shareholder's certificates of the National Investment Funds will begin in November 1995.

Out of the 8,400 state-owned companies that operated in 1990, by the end of March 1995 ownership transformations were completed or started in over 3,000 firms. However, there are still 4,481 state-owned companies in which no transformations have been started.

Moreover, it followed from the report on the first quarter of 1995 that over that time the following was accomplished:

—employees bought or leased 31 companies; a year ago—51 companies (on the basis of Article 37 of the Law on Privatization of State-Owned Companies);

—19 companies were liquidated; a year ago—17 firms (Article 19 of the Law on State-Owned Companies);

—in the capital privatization (sale of shares to big investors or selling them at the public offering) only four companies were sold;

—transformations in 132 companies were started (in the first quarter of 1994—in 85 companies).

In the last case it should be remembered that most of the companies in which transformations began were firms undergoing commercialization (transformation from state-owned into joint stock companies or into companies with a limited liability) for the needs of PPP.

It was planned in the 1995 budget that receipts from privatization would total 2.7 billion zlotys [Z]. In the first quarter of the year, the Privatization Ministry managed to collect 6 percent of this sum. Capital privatization yielded Z79.6 million; installments for the purchase of state assets that must yet be paid amount to Z82.2 million. Despite that, Kaczmarek believes that

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his ministry will obtain the planned Z2.7 billion from privatization.

Solidarity, Government Debate Wages, Benefits

WS3105110795 Warsaw GAZETA WYBORCZA in Polish 31 May 95 p 2

[Article by "SKI": "Social Security Reform: What Will the Minimum Wages and Benefits Be?"]

[FBIS Translated Text] The government and Solidarity are suggesting similar drafts of projects on social security reform. The trade union claims, however, that the government is excessively lowering the minimum wage and benefit [minimum socjalne] limit and thus wants to negotiate the so-called basket of basic household expenses.

A special team of the National Commission of Solidarity presented the union's draft of the social security reform project yesterday:

—minimum wages should be negotiated with trade unions (if the household income is lower, social security has an obligation to cover the difference);

—a social pension is to replace regular benefits for disabled persons and senior citizens who are not eligible for retirement pensions;

—a provisional social benefit is to be paid to mothers bringing up disabled children.

Solidarity did not calculate the minimum cost of living for one month. It claims the government should enter negotiations with trade unions on what should be included in the "basket" of expenses that is to be the basis for establishing minimum wages and benefits.

As Zbigniew Kruszynski of Solidarity explains, the absolute minimum is an income of 60 percent of the minimum calculated by the Labor and Social Affairs Institute [IPiSS]. The trade union says, however, that the minimum should be flexible and changed depending on fluctuations of, for example, food and energy prices.

Let Us Count

According to IPiSS, the minimum for one employed person last December was 303.5 zlotys [Z], for a family of four—Z982.4, for an old age pensioner—Z267.2, and for a married couple of pensioners—Z460.

Out of the above sums, 60 percent is the income: Z181.2 for a single person, Z589.4 for a family of four, Z160.3 for an old age pensioner, and Z276 for a married couple of old age pensioners.

At the same time, families with a total income of less than Z855.8 are eligible for social benefits. This is due to the fact that—according to current regulations—anyone who has an income below the minimum old age pension, and is unable to earn more for some reason (illness, unemployment, handicap, many children) can apply for social benefits.

In 1994, 420 thousand eligible families did not receive benefits due to a shortage of funds. The rest often receive paltry sums, for example Z50 per month.

Solidarity is alarmed that currently more than one-fourth of Polish families live on social welfare, and one-third live on Z50 per head per month.

What the Government Suggests

The Labor Ministry agrees that the minimum social wages and benefits have to be corrected. Initial proposals provided for 35 percent of the average wage for the first household member, 0.7 percent of that sum per each subsequent member above the age of 15, and 0.5 percent of that sum per each child.

In December, that would have amounted to Z428.4.

In May, however, the Social and Political Committee of the Council of Ministers suggested Z200 for the first household member—i.e., the equivalent of the minimum retirement pension minus income tax. That would provide an income Z18.44 lower than the 35 percent of the average wage.

The same criteria applied today would give a household made up of four members a minimum of Z540, and in December—Z456.3. That sum would be thus lower than what Solidarity considers to be the absolute minimum.

Guaranteed Income or Social Benefits?

Both the government and Solidarity want the minimum to replace current provisional benefits (up to 28 percent of the net average wage). This is absolutely necessary if Poland wants to ratify the European Social Charter.

The trade union wants the government placed under an obligation of covering any differences with guaranteed incomes, although it does admit the possibility of applying various methods of "motivating" beneficiaries (for example taking away a part of the benefit from someone who consistently turns down job offers, requiring those who have a drinking problem to enter treatment, etc.), so as to prevent living on social welfare from becoming attractive.

The government, on the other hand, is suggesting that the state should be obliged to pay out half of the social minimum wage and benefit index, and anything above that would be paid only as resources permit.

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In such a case a family of four without any personal income would be guaranteed a minimum of Z270 and a maximum of Z540 in social benefits. Solidarity terms this solution as a "consolidation of poverty."

Solidarity Defines New Goals, Program

95EP0104A Warsaw TYGODNIK SOLIDARNOSC in Polish 21 Apr 95 No 16, pp 1, 4-5

[Article by Teresa Wojcik: "Which Solidarity?"]

[FBIS Translated Text] "What happened to our Solidarity revolution? To our dream of a free and just Poland?" Such were the questions asked angrily at the Program Conference in the Mazowsze Region. This motif reappeared in all the speeches.

In Agreement on Goals and Program

Solidarity's leading activists presented their definition of Solidarity there and then, as did the invited guests [former Prime Minister] Jan Olszewski and Seweryn Jaworski. They all were in agreement that the program adopted by the last congress remains topical and requires little revision. On the other hand, they differed markedly in their concepts of methods of action, Solidarity's participation in political life, and the ways and means of implementing the program and goals of Solidarity.

Five activists presented differing views on these matters and their own evaluations of the present status of Solidarity and its importance to the [democratic] transformation of the country. They were: Marian Krzaklewski, the chairman of Solidarity; Maciej Jankowski, the head of the Mazowsze Solidarity Region; Zbigniew Romaszewski, the chairman of the Senate Solidarity Caucus; Barbara Niemiec, the vice chairperson of the Malopolska Solidarity Region; and Zygmunt Wrzodak, the head of Solidarity [as trade union] at the Ursus [Tractor Plant].

Marian Krzaklewski: "We Shall Not Feed on Scraps!"

Marian Krzaklewski focused chiefly on the relationship between Solidarity and politics in the present situation. In his opinion, Solidarity can and should rally a broad segment of the society round the objectives ensuing from its program. The rightist political parties are incapable of resolving the country's difficult problems and defending it against recommunization.

In Krzaklewski's opinion, the struggle for Poland's system of society, for the nature of the Third Polish Republic, will be resolved in the jousting among the "program blocs"—the postcommunist bloc, the social-liberal or neoliberal bloc, and the "third bloc," the last-named composed of independent, patriotic, and Christian forces. That third bloc must be urgently built.

According to Krzaklewski, Solidarity has a definite identity as a trade union protecting the interests of the worker as an individual and those of his family and championing the social teachings of the Roman Catholic Church. As such, Solidarity is close to the everyday problems of workers and resolves these problems thanks to meticulously drafted collective bargaining agreements for subsectors of the economy and at workplaces. These agreements are something specific, and Solidarity is a bloc that purifies the turbid waters of the economy. Owing to these agreements, "successive small plots of a free fatherland can be cultivated."

Solidarity cannot become a political party without losing its identity and that is why its interests in the elections should be represented by the rightist parties with which we "shall conclude a contract." Following our fatal experiences with the political elites which "gained power by standing on Solidarity's shoulders, and which now ignore and even oppose it," such a contract is needful; it must be "like a sword hanging over the parliamentarians."

And in general, in opposition to the desire of the political elites, Solidarity will not consent to be "a structure feeding on scraps thrown to it by these elites." Everyone present was in agreement with this last opinion.

Zbigniew Romaszewski: "Lost Opportunities?"

In a clearly bitter tone, Senator Zbigniew Romaszewski commented that Solidarity is losing the opportunity to strengthen its position. It is failing to exploit its own successes, such as the recent collection of 1.5 million signatures of citizens for its own draft of the constitution. Another forfeited opportunity is the failure to hold a kind of "primary election" within Solidarity itself and thereby to identify a strong candidate for the Polish presidency that can be jointly sponsored by independentist-rightist groupings. In Romaszewski's opinion, in Poland it is impossible for Solidarity to be apolitical. "We still face the problem of what should Solidarity do about politics." After all, certain objectives essential to worker interests cannot be accomplished by a trade union alone. Especially if this concerns halting the pauperization of a majority of the society. Romaszewski therefore supports building a social movement around Solidarity and subsequently establishing a political party of hired workers, a party with charter links to Solidarity. The surest guarantee of the loyalty of such a party will be the power of Solidarity. "If we dispose of the votes of the two million of our members plus the votes of two million of

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their families, no politician will dare to ignore us!" In addition, we have prepared a draft of the constitution, a document "which in some way unites us and presents the principal aspects of our vision of the system of society. On that plane we can reach a consensus," Romaszewski believes.

Maciej Jankowski: Present-Day Solidarity Equals Pragmatism

The views of a 100-percent trade unionist, a hard, critical realist, were represented by Maciej Jankowski. "While loving Solidarity, we must pay attention to its several flaws." Especially its failure to meet worker expectations. In this connection, Jankowski referred to a poll taken in the Gdansk Region. Of the polled activists of Solidarity 60 percent believe in its ethos and nearly 40 percent believe that it is needed. But among rank-and-file members about 30 percent believe in the need for existence of Solidarity and only several percent believe in its ethos. Solidarity and its sympathizers are aging. The average age of those who signed our draft of the Polish constitution is 57 years. Jankowski sounded the alarm: "This is no militant political force." Values and an ethos are necessary, but on a day-by-day basis people, while cherishing them deep in their hearts, want action, not words. Commensurate actions also are needed, actions such as "slashing the prices of energy, so important to household budgets," such as precisely drafted collective bargaining agreements. People must be certain that it is worthwhile for them to invest their trade union dues in Solidarity, that this trade union is for them a kind of reliable insurance company, "an excellent service provider." And then young people will join Solidarity. And only then, on the basis of that strength, can political successes be built. Because, of course, Solidarity cannot shy away from politics. In a normal country the trade union movement always plays a big political role, and in a country like Poland which is undergoing a fundamental restructuring of its economy, power structures, and the judicial system, that role must be yet greater. "The modern democratic society and healthy market-Solidarity economy to which Marian [Krzaklewski] referred cannot be built in the absence of a trade union," declared Jankowski.

While in general agreement with the assessment of the poor condition of the Polish society by both preceding speakers, Jankowski observed that the effectiveness of trade union operations is decided by the professionalism of activists, workers, and experts. Professionalism and precision will decide the success of Solidarity's draft of the law on universal ownership empowerment. The society is counting on that law and hopes that various "usurpers will cease to derive gain from national property, from a pathological privatization of state enterprises. Let an end be put to scams! And if universal ownership empowerment is a success, that will be a huge asset to Solidarity." Solidarity must be constructive and specific; if necessary, it must fight, go on strike, at least as well as until now.

Barbara Niemiec: "Solidarity's Strength Resides in Its Values and Ideas!"

Solidarity arose as a protest movement, but also as a movement in defense of fundamental values, said Barbara Niemiec, engaging in a polemic with Jankowski. What kind Solidarity is we know from our enemies, the reds and the pinks. We do not know how to be proud of our ethos, our values, yet they are precisely the reasons why people keep joining Solidarity. Without these values we would be ineffective. They are indispensable in our everyday trade union activities. Not only the postcommunists and the social-liberals want us to abandon these values, but also those who do not want trade unions in Poland, or rather who do not want a strong trade union. "Who are they? They are the people who believe that a worker cannot be a citizen, that his purpose is a primitive bargaining to have his wage increased by a few cents today and that he cannot aspire to advancement to the middle class, to a better status for his family, to a good school and a good physician for his children," was the reminder offered by Barbara Niemiec.

Zygmunt Wrzodak: "Radically, Sharply...."

Stalin's 45 rules for enslaving the Polish nation include the principle that trade unions in Poland should attend to "onions and potatoes for their plants. As for any other matters of interest to workers, these already are politics and are attended to by the former PZPR [Polish United Workers Party] and the criminals from the Security Service," was the reminder offered by Zygmunt Wrzodak, the head of Solidarity at the Ursus Plant. A genuine trade union engages in political activities and can attend to worker interests only through such activities—through strikes, demonstrations, pressure on the government. This alone determines the effectiveness of Solidarity in the presence of the current communist government and parliament, Wrzodak declared. That effectiveness also hinges on the efficiency of trade union structures, which must be improved: "It should not happen that issues of major importance to the National Solidarity Committee and to workplaces are not transmitted to the national leadership of Solidarity and instead become pigeonholed in the union's regional offices, branches, or secretariats."

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The situation in Poland was defined tersely by Wrzodak: We are letting ourselves be governed by the most horrid creature manipulating our country for the last 50 years. "Former PZPR men, now transformed into members of the Freedom Union, are addling our brains." He called for radical action, for universal ownership empowerment of citizens, including reprivatization, and especially for blockage of 'larcenous privatization' and the National Investment Funds by means of a general strike which should be declared prior to the National Congress of Delegates in June. (This last demand has already been envisaged by the leadership of Solidarity for the end of May, according to Krzaklewski.)

* * *

The need to declare an open war on postcommunists and neocommunists was also mentioned by the invited guests, Jan Olszewski and Seweryn Jaworski. They stressed the need for vetting former communists and for decommunization. They drew attention to the lasting relevance of the values, ethos, and independentist traditions which are the foundations of Solidarity. They also drew the attention of Solidarity activists to a dangerous trend—the gap between the activists and the "Solidarity moths." Jaworski called on Solidarity to establish, and rapidly at that, its own political party.

What About the Presidency?

Three aspects of public life require that Solidarity take a resolute and clear stand on them: The presidential elections, the constitutional referendum, and universal ownership empowerment—the last-named as Solidarity's reaction to privatization through the National Investment Funds.

What about the presidential elections? Solidarity's leader believes that Poland's system of society and future will be decided not by these elections but by the contest between the independent-Christian bloc and the current establishment. That is why it would be better if the elections were to be held after the constitutional referendum. Then it would be known who are the candidates for the presidency and why. It may be that then it will prove necessary to hold early parliamentary elections.

In Romaszewski's opinion a candidate for the entire independentist orientation should be identified and spurred into activity, and all the members and sympathizers of Solidarity should be rallied round him. Prolonged disputes are merely resulting in "damaging the candidacy of Adam Strzembosz, who is ideologically most close to us." Jankowski and Krzaklewski offered the reminder that only the June congress will broadly consider the possible candidacies and settle Solidarity's support on one of them. Prior to that a kind of poll about individual candidates will be conducted within Solidarity's structures.

* * *

The conference led to a great deal of rethinking and the presentation of quite a few problems. But what kind of Solidarity is it to be? Opening the conference, Andrzej Smirnow declared that this question is not easily answered. Perhaps this is best reflected in the metaphor used by M. Krzaklewski: "Solidarity is like a dried-up seed buried in desert sand. Under certain circumstances it revives and grows into a forest." At the conference probably everyone has become aware that such circumstances have now arisen.

Pawlak 'Determined' To Run for Presidency

WS2605130795 Warsaw GAZETA WYBORCZA in Polish 26 May 95 p 3

[Article by DOM: "PSL Leader Wants To Become Party's Presidential Candidate; Pawlak Intimidates Zych"]

[FBIS Translated Text] Waldemar Pawlak wants the Polish Peasant Party [PSL] to field him as its candidate in the presidential elections. A few days before PSL's election convention, the former prime minister is trying to discourage Sejm Speaker Jozef Zych, his main competitor, from running in the elections.

During the last session of the chief council the peasants firmly supported Zych for president. Pawlak wants to prevent him from running; he is threatening that he will deny Zych access to the party's money for election campaign, GAZETA WYBORCZA found out unofficially yesterday.

A PSL deputy, who wished to remain anonymous, told us that Pawlak had tried yesterday to persuade the PSL leadership to field him as the party's candidate. Moreover, in their pigeonholes the deputies found an appeal, signed by a regional activist, suggesting that only the former prime minister would be a suitable candidate in the presidential elections.

Sejm Speaker Zych has considerable support in regions, but he still hesitant. He is afraid of disputes within the party. "This is because Pawlak is determined to become a presidential candidate," our interlocutor says.

Members of the anti-Pawlak opposition in PSL perceive Zych as their only hope of taking the helm of the party away from the former prime minister's hands.

Franciszek Stefaniuk, deputy chairman of the PSL club, told GAZETA WYBORCZA that Pawlak is not

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discouraging Zych from running. "The speaker himself is undecided," he claims.

"If Zych yields to Pawlak's pressure, we will not forgive him for this, and most probably a motion will be submitted to recall Zych from the post of the chief council head," we learned from a representative of Pawlak's opposition.

A supporter of the PSL leader told us, in turn, that the prime minister wants to run in the elections to prove that his popularity has not waned, and that the decision to recall him from the office of the prime minister was wrong. In this way Pawlak would strengthen his position within the party.

Some of the peasants believe that yesterday's statement by the PSL leader in the debate on foreign policy was an introduction to his election campaign.

NBP Head Ready To Be Right's Candidate

WS2905105495 Warsaw GAZETA WYBORCZA in Polish 29 May 95 p 3

[Article by Anna Plaskacz in Torun: "Will the President of the National Bank of Poland Run in the Elections? I Do Not Want To Be One of Many"]

[FBIS Translated Text] "I do not rule out the possibility of running for the presidential office," President of the National Bank of Poland Hanna Gronkiewicz-Waltz told journalists during a session of the Regional Self-Government Council [Sejmik Samorzadowy] of the Torun Voivodship on Saturday. She stressed she did not want to be one of several rightist candidates, but could agree to be the right's only hopeful if anyone approaches her with such a proposal. As we learn, among those convincing the central bank president to run are Solidarity leaders. They are simultaneously persuading Lech Walesa to back out of the elections. "He could then join the political camp that Solidarity and St. Catherine's Covenant are currently forming, becoming its patron and informal leader," said one of the participants of a meeting held at Father Maj's [patron of St. Catherine's Covenant).

Conservative Coalition on New President's Tasks

WS3005075595 Warsaw GAZETA WYBORCZA in Polish 24 May 95 p 3

[Article by "WZ": "KK: What Type of President Will Be Efficient? Four Commandments"]

[FBIS Translated Text] "For the president to be effective it is not necessary to change the small constitution," claims the Conservative Coalition [KK]. Its leader, Kazimierz Ujazdowski, introduced ideas yesterday on how to improve the effectiveness of the new president's work. Lech Walesa wants changes made to the small constitution.

In the first place, according to KK, the president's information policy has to be more clear—people have to be informed about the goals and told what has to be changed.

Second, he should cooperate with the majority in parliament. Walesa has based his activities on the support of the army and the Office of State Protection. He did not look for allies in the Sejm, condemning himself to helplessness.

Third, the president should coordinate foreign policy. Creating a National Defense Council could help. The council would comprise the president, prime minister, the ministers of foreign affairs, national defense, internal affairs, justice, finance, and foreign trade, as well as representatives of parliament.

Fourth, the head of state has to start using the privilege of legislative initiatives. Therefore a legislative center should be created in the President's Office which would take care of all legal acts. According to KK, Walesa has turned his lawyers into "attorneys in presidential political disputes."

Conservatives believe the spokesman for civil rights, Tadeusz Zielinski, should resign from office if he wants to run in the presidential elections. "I am surprised, but his campaign is the most brutal," says Ujazdowski. He reminded that during the Union of Labor convention, in the presence of Jacek Kuron who was on leave from the hospital, the spokesman suggested that he is a better candidate because he has the "psychophysical abilities" to hold this office.

The press noted that the conservative candidate, Professor Adam Strzembosz, has not resigned from office either, although the law does not allow the first president of the Supreme Court to get involved in politics. "As opposed to Mr. Zielinski, the professor has taken a vacation" replied KK Vice President Pawel Zielinski, who added: "When the president's campaign officially begins, Adam Strzembosz will decide what to do."

Public Television Board Decides Campaign Policy

WS2605145895 Warsaw RZECZPOSPOLITA in Polish 26 May 95 p 2

Article by B.M.: "Polish Television in Presidential Campaign; It Will Measure Time Candidates Spend on Television"]

[FBIS Translated Text] Yesterday the public television board adopted a resolution specifying the principles that

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must be applied in information and current-affairs programs before the presidential elections. "Polish Television will comprehensively and impartially inform the public about the course and the participants of the election campaign. (...) Broadcasts must not favor any of the candidates or parties which support them, nor must they support a specific candidacy or one political program," reads the resolution, which will enter into force on the day the Sejm speaker announces his decision on the presidential elections.

Polish Television will broadcast both free and paid election programs. It will report the most important events in the course of election campaigns of individual candidates. The time during which they appear on television will be measured separately in the first and in the second program of Polish Television after each week; the popularity of the information and current-affairs programs in which a given candidate will appear will also be taken into account.

A problem for television are candidates who are running for the presidency, and who are at the same time holding high public office. Polish Television intends to inform the public about the activity of those candidates, within the framework of "providing comprehensive information on the country's life." However, it will painstakingly separate information concerning the election campaign from information on public life.

Voters will also have a chance to watch a live debate among candidates. Polish Television will give all candidates equal opportunities to take part in the debate; it will propose the date of the debate, its formula, and the order of the individual constituent debates. "These debates should be about specific, vital political issues," the resolution adopted by the board reads.

Employees of public television who would like to take part in the work of campaign committees can do so only as part of unpaid leave.

Prosecutor Shuts Down Illegal Radio Station

LD3105113795 Warsaw PAP in Polish 1003 GMT 31 May 95

[FBIS Translated Text] Czestochowa, 31 May—Acting at the motion of the National Radio and TV Broadcasting Council [KRRiTV], the Prosecutor's Office has shut down Radio Marconi, which has been broadcasting in Czestochowa for several years without a franchise. The formal owner of the radio will be interrogated when he passes his school examinations, Romuald Basinski, spokesman of the Czestochowa Provincial Prosecutor's Office, told PAP today.

The reason for the closure was a motion sent to the Prosecutor's Office by KRRiTV, which had earlier refused Radio Marconi a franchise. According to explanations by Prosecutor Basinski, the charge of illegal broadcasting applies only to five months of this year—that is the period which can be proved by monitoring of the State Radio Communications Agency.

During the search of the radio premises the transmitter was dismantled and essential electronic parts removed.

The owner of the radio station will be questioned as soon as he has passed his school examinations, the prosecutor said. The 20-year-old Patryk B. has been taking his school examinations these past days.

Radio Marconi was founded in 1990 as the first private radio in Czestochowa.

Geographic, Industrial Investment Risk Factors

95EP0097B Poznan WPROST in Polish 16 Apr 95 No 16, pp 64-65

[Article by Piotr Andrzejewski: "The Geography of Risk: In Poland It Is Safest To Invest in the Warsaw, Gdansk, Poznan, and Krakow Voivodships"]

[FBIS Translated Text] The least susceptible to operating in the red in Poland are the makers of coffee, tea, and biscuits and the owners of private schools in Warsaw Voivodship. The riskiest businesses in Poland are those operated in Ostroleka Voivodship by manufacturers of computers and light-industry machinery, taxicab drivers, and barbers. Such conclusions can be drawn from the studies of investment risk conducted for two years by the Gdansk Institute of Research into the Market Economy.

The "safest" voivodships are Warsaw, Katowice, Gdansk, Poznan, Krakow, and—since recently—Szczecin and Lodz. Ranking at the bottom are the typically rural regions with little industry—the Ostroleka, Lomza, Ciechanow, Sieradz, Wloclawek, and Siedlce voivodships, mostly located in eastern and central Poland.

The greatest progress on the list, compared with previous listings, was made by Rzeszow Voivodship, which advanced from the 27th to the 18th place, and by Bialsk Voivodship (advanced from the 47th to the 39th place), even though these remain the regions of lowest investment attractiveness. A marked upward advancement (by seven rankings) was recorded for the Elblag and Legnica voivodships, chiefly owing to the improvements in their telecommunications infrastructure.

The greatest decline, by as many as 12 places, was recorded for Tarnobrzeg Voivodship, chiefly owing to

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the marked worsening of its employment situation and the slow pace of restructuring. A marked decline, by nine points on the downward scale, was recorded for Kalisz Voivodship, and also for the Suwalki, Czestochowa, Krosno, and Sieradz voivodships.

In the ranking of investment risks allowance was made for discrete branches of the economy. The "surest" industrial sectors include the food industry—especially the processing of coffee and tea; the production of condiments, biscuits, and hardtack; construction services; the generation and transmission of electrical power; the refining of crude petroleum; newspaper publishing; feed production; and waste utilization.

But a low risk is not always synonymous with high profitability. Studies conducted at the end of 1994 by the Foundation for Education and Banking Research indicate that the most lucrative enterprises in Poland were: aircraft and helicopter manufacturing, telecommunications, pharmaceuticals manufacturing, and the production of general-purpose metal products, cement, lime, and gypsum. The least profitable was the manufacturing of agricultural and forestry equipment, radio and television receivers, pipe, cast iron, steel, and iron alloys, and medical and surgical equipment, as well as wholesale trade; food, beverage, and tobacco retailing; and the postal service and couriers.

The riskiest businesses are the manufacture of light-industry machinery, computers, tractors, and optical instruments, and the riskiest occupation is the tanning of pelts, according to the report of the Institute for Research into the Market Economy. Also very risky is the otherwise highly profitable aircraft manufacturing. This is due to the marked decline in demand, technology lag, high manufacturing costs, and strong competition on the domestic market.

In the nonmanufacturing sector the safest businesses are private schools; canteens; and wholesale trade in scrap, office equipment and machinery, tobacco products, fuels, tea, and coffee. Also relatively risk-free are the organizers of expositions and gaming establishments as well as interior decorators and fashion designers. On the other hand, grain and agricultural-product wholesalers, sellers of fuels and metal ores, and taxicab drivers and barbers cannot be certain of operating in the black.

"In initiating a long-range (20-year) program for highway construction and modernizing telecommunications and infrastructure, Poland should intensify its efforts to attract foreign capital," declared Anthony Robinson in a special insert in THE FINANCIAL TIMES devoted to our country.

On the list maintained for the last two years by the Institute for Research into the Market Economy, Poland is—against the background of 13 other Central-East European countries—ranked in the middle group as regards investment risk, next to Slovakia and Slovenia. The group with the lowest risk includes, without change for the last two years, the eastern German lands, Hungary, and the Czech Republic. The large group of countries burdened by a high or very high investment risk includes the Baltic countries, Romania, Bulgaria, Belarus, Ukraine, and Moldavia.

The distance separating Poland, Slovakia, and Slovenia from the leading countries on the list has decreased only slightly in the last two years.

Our country is still viewed cautiously. Although the purely economic risk is defined as low for our country, shortening its distance to the three top-ranking countries is constrained by the absence of social and political stability. The growth in labor productivity in the last four years has made it possible for many Polish enterprises to allocate a slight financial surplus for investment. Likewise, the stock exchange has been helpful in enabling a modest but steadily growing number of enterprises to augment their capital through public offering of their stock. It is estimated that this resulted in obtaining altogether about $3 billion. However, only certain companies can thus finance their growth. The hyperinflation in the late 1980's deprived millions of Polish citizens of their savings. This necessitates recruiting foreign capital before economic growth can be financed from the growth of personal savings.

According to Matthew Olex, the head of the British consulting firm Schroders Polska, "Spain should serve as an example. From the standpoint of its population and economic potential in 1950 it had been in the same situation as Poland is at present. During 1984-93 Spain succeeded in attracting $160 billion in investment, which served to increase its GDP to $545 billion in 1994, whereas in the same period Poland's GDP amounted to $82 billion."

According to the estimates of Schroders Polska, foreign investment in Poland between 1990 and March 1994 amounted to only $1.1 billion in long-term investments and $250 million in short-term so-called portfolio investments. Barely one-fourth of that amount was invested in high-technology branches, with most of the remainder invested in the food and household articles industries (Coca-Cola, PepsiCo, and detergent manufacturers).

According to the Polish Agency for Foreign Investments, investments made in the last four years exceeded

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altogether $4 billion. Despite the unfavorable circumstances, which included a sluggish pace of privatization of the economy, the growth rate of investments is, in principle, not slowing down. In the opinion of Deputy Prime Minister Grzegorz Kolodko, by 1997 the aggregate value of foreign investments will exceed $10 billion.

In 1994 international concerns invested $450 million in Poland, that is, twice as much as in 1993. On the other hand, the pace of American investments has slowed down: The Americans invested $293 million in 1994, that is, less than in the preceding years. Even so, American companies predominate among the companies investing more than $1 million at a time.

"Poland has not so far succeeded in attracting more substantial capital, even though it is an attractive market, has a highly skilled labor force, and its manpower costs are relatively low," commented Anthony Robinson in THE FINANCIAL TIMES. "This is due chiefly to low political stability—six governments in five years, suspicion of foreign investors, and the decline following the 1970's and 1980's in the form of a huge foreign debt. These factors increase investment risk and do not promote attempts to attract foreign capital."

Chart: Investment Risk in Nonmanufacturing Sectors

From Small to Greater Risk

1. Adult education and other forms of education

2. Canteen operation

3. Wholesale trade in wastes and scrap

4. Wholesale trade in other semifinished products

5. Retail sale of fuels for motor vehicles

6. Other commercial operations

7. Wholesale trade in office machinery and equipment

8. Real estate management based on direct payments or contracts

9. Wholesale trade in tobacco products

10. Advertising

....

98. Wholesale trade in certain food items, inclusive of fish and shellfish

99. Wholesale trade in fruits and vegetables

100. Wholesale trade in live animals

101. Commission sales of fuels, metal ores, and industrial chemicals

102. Transportation—taxis

103. Hair salons and other cosmetic operations

104. Merchandise storage and warehousing

105. Commission sales of crops, livestock, raw fibers, and semifinished products

106. Wholesale trade in grain, seeds, and animal feeds

107. Aviation support operations

Source: Institute for Research Into the Market Economy

Chart: Risk in Manufacturing Sector

From Small to Greater Risk

1. Utilization of nonmental wastes and manufacturing rejects

2. Livestock feed production

3. Production of selected food items and dietetic foods

4. Tea and coffee processing

5. Production of condiments

6. Newspaper publishing

7. Generation and transmission of electrical energy

8. Production of hardtack and biscuits

9. Metal processing and metal-coating

10. Manufacture of paper, corrugated cardboard, and packagings

....

178. Manufacture of knitted and crocheted pullovers, sweaters,

and the like

179. Weaving of woolens

180. Steel casting

181. Manufacture of distilled alcoholic beverages

182. Construction of flight vehicles and [manufacture of] spacecraft

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183. Manufacture of optical instruments and photographic equipment

184. Manufacture of agricultural tractors

185. Manufacture of computers and other data-processing equipment

186. Pelt tanning and dyeing

187. Manufacture of machinery for textile, garment, and leather industries

Source: Institute for Research Into the Market Economy

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Ministry Objects to Two-Stage NATO Expansion

AU3105120495 Bucharest Radio Romania Network in Romanian 1000 GMT 31 May 95

[FBIS Translated Text] During his weekly news conference today, the Romanian Foreign Ministry spokesman released a declaration in connection with the report of the working group on NATO expansion put forward by the chairman of the North-Atlantic Assembly [NAA], as well as the deputy chairman of the Hungarian legislature's Defense Committee. The report was made public during the NAA spring session recently held in Budapest and proposed that the admittance of new members to NATO should be done in two stages. The Romanian Foreign Ministry considers that the suggestions made in the aforementioned report are so much the more surprising as the NAA autumn session last November in Washington declared that it favors a nondiscriminatory NATO eastward expansion.

Similarly, the declaration continues, the naming of Hungary, Poland, Czechia, Slovakia, and Slovenia as countries that are to join NATO first contradicts both the spirit of the Partnership for Peace and the statements recently made by high-ranking U.S. Administration officials, who emphasized that there are no preferences regarding the countries that expressed their wish to join NATO. The Romanian Foreign Ministry expresses its surprise as well as its serious objections with respect to the way the priority order of the candidates was formulated well before the conclusion of the NATO countries' intergovernmental reflection process, which is meant to finalize [words indistinct] regarding the admittance of new members to that alliance. [words indistinct] represents the sole way to designate the future members of NATO.

The Romanian Foreign Ministry reminds that the decision on the admittance of new NATO members is one that is to be unanimously made by the governments of NATO member countries, following which it is to be submitted to their national legislatures for ratification, whereas the NAA is an independent NATO body having a consultative function.

Exclusion From Early NATO Expansion Protested

AU2705190395 Bucharest Radio Romania Network in Romanian 1700 GMT 27 May 95

[FBIS Translated Excerpt] [Announcer] Today, the Security and Defense Committee of the North Atlantic Assembly [NAA], whose proceedings are taking place in Budapest, listened to a report on the accession of the former communist countries to NATO. The report provoked great discontent among the Romanian parliamentary delegation. In an interview granted to Nicu Popescu, our correspondent in Budapest, the head of the Romanian delegation, Ion Ratiu, as well as delegation member Petre Roman, presented the opinions of the Romanian side on this document.

[Begin recording] [Popescu] Esteemed listeners, this afternoon's proceedings of the NAA Security and Defense Committee, whose proceedings are taking place in Budapest, were practically devoted in their entirety to the presentation and ensuing discussion of a draft report on expanding the alliance. Some of the points included in this report caused Messrs. Ion Ratiu and Petre Roman, as representatives of our country's delegation, to take a stand on the matter. I asked them why they deemed it necessary to take a stand.

[Ratiu] It was extremely important for us to make clear that we are determined to join the Western structures, since this is the only way for us to achieve the much-desired democracy. The main report presented by NAA Chairman Karsten Voigt contained certain unwarranted allegations, so to speak, which presented the situation erroneously. Therefore, we protested and said so. [passage omitted] Since they came to the conclusion that it is good or probable that accesssion to the Western structures and the NAA should be done in two stages and that, anyhow, this accesssion will be done without Romania in the first stage—only the Visegrad countries will be let in at this stage; that is, Hungary, Poland, the Czech Republic, Slovakia, and probably Slovenia, as the fifth country—we said that this is against the spirit of the alliance and the Partnership for Peace [PFP]. [passage omitted]

[Roman] Indeed, paragraph 80 of this report amounts to a strongly differentiated approach to the accesssion process, which I called a tough differentiation among the countries aspiring to join NATO. In our opinion, nothing justifies this differentiation. This is an erroneous concept. [passage omitted]

Deteriorating Conditions in Air Force Noted

AU3105081695 Bucharest AZI in Romanian 22 May 95 p 5

[Article by Marius Huc: "Romanian Pilots—Between the Myth and Bitter Reality"]

[FBIS Translated Excerpt] The history of aviation is studded with the names of great Romanians. [passage omitted]

These days, however, owing to incomprehensible reasons, the pilot's uniform is not honored as these people deserve. It is not the man in the street—who as a child also wished to become a pilot—who does not respect them, but rather the inhabitants of the various

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palaces, whatever their name be: Cotroceni [presidential headquarters], Victoria [government headquarters], Parliament, or Metropolitan Hill. The later do not want to hear even a word about the air force or the air force personnel, poor souls, who do not own even the quarters they live in, who have to take their families far from the towns and cities and close to the air fields, whose children have to travel a long way to get to school, and whose wives are the first to be fired from their jobs because people think their husbands are pilots and therefore well-off. Well, they are anything but well-off. In any country claiming to be civilized, 60 percent of the defense budget is earmarked for the air force. A U.S. pilot immediately after having graduated school, receives a $3,500 monthly salary and already has about 3,000 flight hours and other several thousand simulator flying hours behind him. Romanian Air Force pilots, however, even after 20 years of service, do not earn more than $200 per month—paid in our worthless lei, obviously—and their flight log does not exceed several hundred flight hours. We still do not have a single simulator in the country for training for for the MiG-29 jet, although the Romanian Air Force has been flying this plane for the past seven years! "That would be too expensive and we are going through the transition period." This is what the rulers of the country invariably tell the 54,273 people working for the Air Force, whatever their complaints might be. [passage omitted]

There are far too few pieces of special clothing the pilots cannot fly without, and those that do exist are worn out. In the case of the Russian-made jets, the famous MiG's, there are fewer and fewer spare parts, and makeshift solutions are not acceptable. The motors of the MiG-29 have a very short life, and if new ones are not bought very soon, those beautiful steel birds will be pinned to the ground. [passage omitted]

A solution should be found to save the Romanian Air Force. The pilots, these magnificent men, deserve much more than what they have been receiving. The fact that families of pilots who die in crashes are given half of their salaries does not alleviate their grief but is, rather, a cynical gesture.

The pilots should be respected while they are alive. After that they belong to history....

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President on 'Conflict' With Italy, Krsko Plant

AU3005172495 Vienna KURIER in German 30 May 95 p 4

[Article by Susanne Lintl: "'End of Krsko Foreseeable'"]

[FBIS Translated Text] Milan Kucan has been president of Slovenia since 1990. KURIER interviewed him on the sidelines of the Presidents' Summit in Hungary.

Asked about the purpose of such meetings, Kucan said:

"I see such meetings as a platform to discuss our future ideas on the European region. It is a forum where the leading people from these countries speak. Summits of this kind are a link promoting the integration of Europe."

On his expectations of neighboring Austria:

"We have had the same expectation of Austria for quite some time: a friendly attitude toward Slovenia and active support for our ambitions to join the EU."

On the conflict with Italy:

"The problems between our two countries have not yet been settled. But one has to say that the atmosphere has become more relaxed. And I think that we have got very close to solving the restitution problem (Italy demands the return of former Italian property in today's Slovenia, which their owners had to leave behind in 1945)."

On the problem of the Krsko nuclear power plant, which has repeatedly been addressed by Austria:

"There is nobody around who will not support President Klestil's idea of a nuclear-free Central Europe. It is also in our own interest: If we act—that is, close down Krsko—then, believe me, we are primarily doing it in our own interest. You are asking whether a closure is realistic: Yes, it will be in the foreseeable future."

Social Democrats Urge Joining Forces in Election

AU2705175995 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 27 May 95

[Report by Miran Korosec—recorded]

[FBIS Translated Text] [Korosec] Today we are adopting a program by which we intend to win in the coming elections. The Slovene Social Democrats, jointly with other parties of the Slovene spring, have a duty to complete the economic, political, and cadre reform in Slovenia. With these words President Janez Jansa ended his address at the party congress in Topolsica.

According to him, the present situation in Slovenia reflects the ruthless liberalism of the LDS [Liberal Democracy of Slovenia]-United List alliance, concentration of wealth, power, and information in a narrow circle of people, and marginalization of the majority of citizens on the fringes of society.

As an alternative to this total pragmatism, the Social Democrats, according to Jansa, offer a program that is based on the values of a law-governed and social state, freedom, justice, solidarity, and patriotism.

A more balanced distribution of the burdens of present transition; reduction or abolition of the income tax for the socially endangered classes; increased pensions and minimal salaries; audits of unlawful privatizations; abolition of privileges; compensation for injustices; and completion of the economic and democratic reforms are, according to Janez Jansa, the main goals of the Social Democratic Party with which he intends to win at the coming elections:

[Jansa] The key to the victory and positive changes at the forthcoming elections lies in the cooperation of the parties of the Slovene spring. The Social Democrats will do everything to accomplish it. We are aware, however, that the United List-LDS bloc use all means possible to make us quarrel among ourselves as much as possible. Ours is the historic responsibility not to be tricked by such attempts.

[Korosec] The National Democrats are also striving for the same goals, according to Marjan Vidmar, and for this reason they adopted an agreement on unification of both parties in the Social Democratic Party of Slovenia at the congress. At the time of reporting, the participants are discussing the statute and election of the new party leadership.

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Federal

Russian Envoy Zotov's Diplomatic Efforts Viewed

Meeting With Milosevic

LD3005110695 Belgrade TANJUG Domestic Service in Serbo-Croatian 1025 GMT 30 May 95

[FBIS Translated Text] Belgrade, 30 May (TANJUG)—President Slobodan Milosevic this morning received Ambassador Aleksandar Zotov, the Russian president's special envoy, the president's office reports.

Their talks focused on the most important aspects of the crisis and the latest escalation in the fighting.

Serbia and Russia share compatible views with regard to a political solution to the crisis, and share the firm belief that no military solution is possible to the problem in the area of former Yugoslavia. This is why unblocking the peace process and replacing the use of force with negotiations is the first step which the international community and the warring sides should take. The Federal Republic of Yugoslavia [FRY] will consistently pursue its peace policy and strive to find a solution through negotiations. The FRY expects the international community to lift sanctions.

The talks were also attended by Foreign Minister Vladislav Jovanovic and Russian Ambassador to Belgrade Gennadiy Shikin.

Bosnian Serb Actions Condemned

LD3005141395 Belgrade TANJUG in English 1328 GMT 30 May 95

[FBIS Transcribed Text] Belgrade, May 30 (TANJUG)—Russian president's special envoy Aleksandr Zotov said here Tuesday that he had communicated to Serbia's President Slobodan Milosevic a message from the Russian leadership which called on Belgrade to help resolve the Bosnian conflict and secure the release of the U.N. peacekeepers held hostage by Bosnian Serbs.

Zotov told the press after the talks with Milosevic that Moscow condemned the taking of U.N. peacekeepers prisoner and the intention of the Bosnian Serb leadership to release the U.N. peacekeepers only after they received guarantees that NATO air strikes against them would not be renewed.

Zotov said the Bosnian Serb leadership's actions were thoughtless because no country with any self-respect would trade in the security of its peacekeepers.

The special Russian envoy said it was not a serious policy to use peacekeepers as a bargaining chip. He set out that those who were pursuing such a policy could eventually face great difficulties.

Zotov described his talks with Milosevic as friendly and said they had been held in a constructive atmosphere.

Russia takes a very serious stand towards the current developments in the Balkans and is not avoiding its historical reponsibility or renouncing its right to influence the newly created situation, Zotov said.

Russia's Fedorov Calls For Lifting of Sanctions

LD3005144095 Belgrade TANJUG in English 1356 GMT 30 May 95

[FBIS Transcribed Text] Belgrade, May 30 (TANJUG)—Leader of 'Russia Forward' party and Russian Parliament deputy Boris Fedorov Tuesday expressed full support to the Yugoslav and Serbian leaderships in their policy of peace.

He said the international community should adequately value that policy and lift the United Nations sanctions against the Yugoslav Federation of Serbia and Montenegro.

Fedorov said in talks with Serbian Parliament Speaker Dragan Tomic in Belgrade that the Russian Parliament had repeatedly urged the international community to lift the sanctions against Yugoslavia.

Tomic said the sanctions had remained in spite of the efforts made by Yugoslavia and Serbia to help stop the war in the former Yugoslavia.

The sanctions have lost all moral or any other meaning and they are now the main obstacle to peace, Tomic said.

Both sides agreed that the plan proposed by the international 'Contact Group' for Bosnia was a realistic basis for the peace process.

National Bank Governor Discusses Economic Recovery

95BA0249B Belgrade BORBA in Serbo-Croatian 18 Apr 95 p 7

[Article by D.S. and Z.L.A.: "We Have Survived the Worst"]

[FBIS Translated Text] Belgrade—"The last five months have been the most difficult period in carrying out the economic recovery program, and the restrictive measures were an outright attack on production," said Dragoslav Avramovic, governor of the National Bank of Yugoslavia (NBJ), at yesterday's ceremony to sign the Special Collective Agreement for the Textile, Clothing,

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and Footwear Industry in the offices of the Serbian Trade Union Federation. Avramovic added that the enterprises that have survived this phase can anticipate an easing of restrictive monetary measures, which will be aimed at augmenting production and exports. He gave special credit to the textile industry, which has been in the most difficult position because of its low rate of capital accumulation and because they have been fighting for survival on the domestic and foreign markets with very low wages and salaries.

The special collective agreement of this industry was signed by Slavica Spasic, president of the Republic Trade Union of the Textile Industry, on behalf of the union, and by Branislav Atanackovic, chairman of the Committee for the Textile, Clothing, Leather, and Footwear Industry of the Serbian Chamber of Commerce and director of Beko, on behalf of employers and the chamber. This is the first agreement regulating the earnings of employees since expiration of the Decree Restricting Wages and Salaries. It stipulates that the lowest price of labor for textile workers will be 150 dinars, but those enterprises whose production results do not allow even that level may not pay workers less than 120 dinars.

In the first business quarter of this year the textile industry was utilizing only one-third of available capacity, but because of energy problems and the pronounced illiquidity, they have been unable to perform many contracts already concluded.

BORBA Reports Prices Remain Unstable

95BA0249A Belgrade BORBA in Serbo-Croatian 27 Apr 95 p 11

[Article by D. Solesa: "Disobedient Prices"]

[FBIS Translated Text] Prices have become disobedient, and their constant jumps are a very great irritant not only to producers, but also to consumers. Efforts and proclamations in favor of stable prices have thus often been nothing more than fond wishes, while the life of the market "tools along" at its own pace, at what appears to be a very well-coordinated rhythm of price increases.

The calculations and statistics here are clear and unambiguous, and according to recent computations of the Yugoslav Chamber of Commerce, in the first quarter of this year the average rise of prices was 23 percent over all of last year. Compared to December, the January increase was 12 percent, based mostly on the psychological factor, that is, on anticipated inflation, which, fortunately, did not occur. Still, the monopolists took advantage of this as an opportunity to show who is who on the market.

Headaches Because of the Fresh Vegetable Market

Retail prices have also been on a rising trend, slowly, but persistently and annoyingly. Compared to last year's first quarter, they were up 32.7 percent this year. Agricultural products are leading with a rise of 58.4 percent, while services are in a high second place with a somewhat lower 37.8-percent increase. The prices of industrial products have also risen about 30 percent. As far as food goes, every housewife has been in a situation of pulling out her hair when she goes to what now is a place of luxury—the open-air market. The "green barometer," when we include fruit and vegetables, especially tropical fruit, cheeses, kajmak, canned goods, juices, candied products, and so forth, is a clear indicator that something is wrong with domestic agriculture. We will not even talk about meat and processed meat products.

Industrial producers have "hiked up" their products somewhat less, so that the average increase over the same period was only 23 percent. In this area, diversity is the rule, and extremes are even the norm. Nonferrous metals, which went up 57 percent, had the largest growth, followed by leather footwear and clothing accessories with a growth of 50.2 percent, finished textile products with an increase of 50 percent, finished wood products 46 percent, and chemical products 37 percent. It is of interest to mention that fuel and energy have been recording almost the lowest growth of only 18 percent.

Producers and Consumers Confused

Particularly confusing to businessmen is that the prices of most goods have risen far more than is really made possible by the 20.3-percent increase in industrial production and that many producers have often been compelled to frequently calculate and double the prices of inputs, necessary raw materials, and production supplies. Consumers, however, are not complaining so much about high prices as about the snail's pace of earnings growth. The average income in the first three months was 270 dinars, so that it is no wonder that many people are trying "to patch up the holes" in the household budget with alternative sources of income. It is perhaps not necessary, but it is worthwhile to add to this that more than 640,000 employed persons were at the same time working in utterly insolvent firms with permanently or temporarily blocked accounts and that, as is usually the case, the payment of wages and salaries was a constant bone of contention and source of dissatisfaction. Even store owners have not been blessed by the current price gymnastics, although, at least judging by the growth of sales, the situation ought to be just the reverse. That is, retail sales have risen 384

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percent, and wholesale turnover 298 percent when the first quarter of this year is compared to the same quarter of last year. The lack of adequate working capital, producers' demands that goods be paid for in advance or within very short periods, and the excessively high rent on store space have been ills plaguing the store owners. There has been a crackdown on illegal trade, which offered goods at somewhat discount prices, but cleverly evaded the payment of proper taxes and contributions on employees.

The intervention to roll back prices to the July 1994 level has nevertheless helped to ease prices, and analysts have been recording a modest growth in February and March of only 1.9 and 2.1 percent, respectively. The assurances issued at one time, in late January, by Dragan Tomic, minister for coordination in the Serbian Government, about the severe measures that would be taken against those who did not restrain prices and against monopolists have still not been applied in practice, however. The prices of many products are continuing to rise: for example, household appliances, chemical products, those things that affect the standard of living most, and many foodstuffs.

Banks, Businesses Suspected in Dinar Crisis

95BA0249C Belgrade POLITIKA in Serbo-Croatian 23 Apr 95 p 9

[Article by R. Nikolic: "Net Inflow of 65 Million Dinars in the Banks"]

[FBIS Translated Text] It is now a month since the "foreign exchange shock" over the weekend from 24 to 27 March, when a period of hyperinflationary atmosphere was caught in several dramatic pictures: dealers in the streets, crowded stores, speedy purchases of expensive articles, and "inventory being taken" in certain stores. However, in spite of the resounding statements of officials that every step would be taken to learn immediately, in just a few days, who caused the "foreign exchange shock," there is still no answer. Is it possible that something like that cannot be ascertained by the government and financial monitoring mechanisms?

That is not very likely, because the sudden jump of the German mark all the way to five dinars on the "black market" was not a will-o'-the-wisp, nor was the increased amount of dinars in the street a fiction. In the absence of official explanations on the topic of who caused the foreign exchange shock, institutes that record economic and business trends on a monthly basis have taken up this subject.

Collusion Between Banks and Enterprises

The most specific hypotheses have been offered by the barometer of market conditions of the Economic Institute, that is, by Dr. Miroljub Labus, professor and one of the authors of that barometer. According to his analysis, the conclusion can be drawn from the consequences of disruptions on the foreign exchange market that over the period from 22 to 30 March there was a drop of 15 million dinars in bank overdrafts.

"At the same time, balances in giro accounts of the banks increased by 20 million dinars, and the legal reserves of the banks also increased by 20 million dinars. The entire operation brought the banking system a benefit of at least 65 million dinars," Dr. Labus says.

He goes on to explain that the legal reserves of the banks could not have grown unless there was a parallel growth of bank deposits, and that benefit could not occur unless the bank's customers conducted foreign exchange operations. Therefore, Dr. Miroljub Labus says, collusion between the banks and enterprises is inescapable.

Inflationary Expectations

"It is easy to discover all those who took part in this. Let them start with those banks that suddenly reduced their overdrafts, and let them examine the accounts of those banks that had to increase their legal reserves. How those changes occurred will be clearer on the basis of the growth of those deposits. Doing that does not require 800 inspectors examining banks and enterprises for several weeks. One need only examine money operations, all of which could be done in just one day," Dr. Labus said.

There is another fascinating picture of trends on the market. That is, although the foreign exchange problem has been rather pronounced for quite a long time now, destabilization on the market shows that the shortage of imported goods in March was exactly the same as in October of last year, which is when the first quite serious crisis occurred on the foreign exchange market. Accordingly, Dr. Labus observes, because there was a pronounced demand for foreign exchange, everything moved to establish a new equilibrium, but at a higher level of the rate of foreign exchange.

At the same time, inflationary expectations in late March were the highest at any time since the Program for Monetary Reconstruction was introduced. But by contrast with the beginning of the economic program's introduction, which was characterized by a general level of confidence in macroeconomic policy, the new package of economic measures has at this point not

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been forthcoming. They should have known, Dr. Labus warned, that postponement of the prompt adoption of economic policy measures to the second quarter of this year would increase the nervousness of businessmen operating on the market, but also that of the general public.

Nevertheless, with all this in mind, the disruptions on the market did not occur solely on the basis of nervousness of the participants or exclusively because of speculations by bankers and businessmen. In addition, there are also objective preconditions for destabilization, and the competent government authorities ought to ascertain them. Not only ascertain them, but also report them to the general public, that same public that experienced the "foreign exchange shock" in March with anxiety and fear of new inflation.

Daily: Oil, Natural Gas Industries in Crisis

95BA0248A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Apr 95 p 18

[Article by D. Nedeljkovic: "To the Last Drop"]

[FBIS Translated Text] Last Friday there just happened to be two meetings concerning oil and gas explorations: In Stig the collection station of six oil wells was put into operation at the Bradarac-Maljurevac field, and in Kotor efforts at exploration to date were evaluated and prospects estimated for the production of oil and gas in Montenegro. Although nine of the 11 wells in the oil field in Stig were positive and only two negative, this field's annual output of 15,000 metric tons of oil and 1.5 billion cubic meters of gas is not impressive. In Montenegro, however, they have been searching for oil for five decades, and this is still a potential area. A certain dose of optimism is imparted by the newly discovered Aquila field on the Italian side of the Adriatic, almost directly opposite the Montenegrin coast, and production in Albania is in the immediate vicinity. The 10-year search for oil and gas at Stig did not fulfill the expectations of optimists, even though petroleum has been found and is being produced. As it was put by Rajko Jovanovic, director of Jugopetrol Nafta, "we are aware that under these conditions every drop of crude petroleum is important to Serbia, so we started up production and we are completing operations on the run."

Jovanovic's observation would seem to necessitate a comparison to the situation in the past and at least a summary examination of the situation in the oil industry following the three-year blockade. Put more precisely, the blockade began for the oil industry in the autumn of 1991 when the oil pipeline was shut down, oil that had been purchased was taken as booty in Croatia, and there were troubles purchasing and shipping petroleum. In the year previous to that, a normal year, Serbia's energy needs were met by importing almost half of total consumption, and imports had a share of 80 percent in the case of oil and gas. That datum is altogether sufficient to make it clear what the ban on imports meant to the oil industry.

Without going into the political aspects of the blockade, the observation must be made that on the domestic side a major mistake was committed—instead of confronting the crisis, taking the necessary steps, and enlisting the public to surmount the difficulties that had arisen or at least put up with them less painfully, unrealistic promises were issued that we could go it alone, that the sanctions would be quickly lifted, and that no one could do anything to us. Rhetoric of that kind was accompanied by foolish decisions, above all in the sector of energy prices, distribution was entirely taken over by the state, and "targets" were issued that the oil industry had to meet. For three years, the oil industry was on a state of full alert: Heating seasons and the spring and fall farming seasons came hard one upon the other, and they were measuring out petroleum products to consumers virtually with a teaspoon. And, at the same time, they were incurring losses and suffering illiquidity, and their giro accounts were blocked....

Milan Djakovic, general director of Petroleum Industry of Serbia, used a grammatical metaphor to compare the production, refining, and distribution of petroleum and petroleum products: It is difficult in distribution, still more difficult in refining, and most difficult in production. For three years, they managed somehow, but unless the government takes specific measures, the oil industry will collapse this fall, because it simply will not have anything to deliver to consumers. Every month the oil industry needs about $500,000 for wells, refining, purchase of supplies, spare parts, and equipment, and in the first four months of this year they have not received a single dinar or dollar. What is more, the priority consumers, who are designated by the government, owe about 250 million dinars, some for longer than a year.

Oil and gas production is gradually declining, partly because of natural exhaustion of the known deposits, partly because of insufficient investment and maintenance, and explorations of new deposits have been entirely halted. In a year or two the decline of domestic production will be more appreciable unless explorations are stepped up, which means that more will have to be imported once the blockade is lifted. Funds cannot be furnished even for projects that are altogether safe, which the oil industry says will guarantee larger output. In the Turija Oil Field, for example, 50,000 and perhaps even 100,000

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tons a year more could have been extracted if there had been investments in exploration.

It is hardly worth talking about the prospects for oil exploration. Everyone knows it is an expensive and risky business, and there is really not much area where there are potential deposits. Aside from Vojvodina, where only deep explorations can yield any results, the potential lies in the rim of the Dinarids in Montenegro and the Montenegrin part of the Adriatic. No one in Yugoslavia has the equipment or the experience for offshore explorations, and special rigs and special materials are needed for depths of 5,000 and 7,000 meters. In the past several years an opportunity was missed for exploration abroad, where domestic experts and available equipment could have obtained sizable quantities of "domestic" petroleum.

The refineries in Pancevo and Novi Sad are refining domestic petroleum, but the quantities are barely sufficient to operate at the technical minimum. Most of the installations at the refineries have been standing idle for three years, especially that part of the installation designed for intensive refining. In spite of technological advances and larger output of medium distillates, above all the indispensable diesel fuel, a sizable part of the petroleum ends up as residual fuel oil. The quality of the large-volume products lags behind European standards, and substantial funds, which are not on the horizon, need to be invested in repairs at the refineries.

The story about natural gas is identical to that for petroleum, but the shades are somewhat darker. In 1990, Serbia consumed more than three billion cubic meters of natural gas: Domestic output amounted to 671 million cubic meters, and imports 2.4 billion cubic meters. Last year's domestic output, which was all consumers could count on, amounted to 899 million cubic meters. Given the absence of imports and wintertime pressures from consumers, in recent years gas deposits have been exploited to the point of risking losing them soon, and the planned underground storage that would "iron out" the seasonal consumption has been postponed from one year to the next.

Through the combined impact of the international blockade and domestic moves, the oil industry has reached a state similar to that of the electric power industry: uncertainty, insecurity, risks of shortages, business losses, and an ever-greater lag behind demand. And if the international blockade ceased tomorrow, it would take several years to get the oil industry back where it once was in terms of the level of output, the adequacy of its equipment, and quality, and it will take a long time to pay the bills that have piled up. If we omit the aspect of long-range planning, which is a necessity in the fuel and power industry, then the consequences of the government's attitude toward energy over several years is going to be felt this very year, unless the government urgently adopts radical changes and uses the summer season when consumption is down to change the situation—provided it is not too late already.

[Box, p 18]

Explorations in Montenegro

By 1966, 16 exploratory wells had been drilled to a depth of 900-4,600 meters in Montenegro, and in all 37,000 meters were drilled; a gravimetric and geomagnetic map of Montenegro was made, and about 800 seismic reflex profiles were recorded. Since 1973, land and offshore explorations of Montenegro have been done by Jugopetrol of Kotor in collaboration with domestic and foreign companies. In the period between 1973 and 1985, Montenegro's offshore explorations were done exclusively with foreign partners, while explorations on land were done with domestic oil exploration organizations. The explorations of Jugopetrol in collaboration with Naftagas of Novi Sad, which began 12 years ago on the basis of a contract concluded back in 1983, which remained in effect until 1988, is still going on today. Under that contract, the partners committed themselves to financing exploration from their own sources of financing and at their own risk. So far, only a well near Ulcinj has been explored, and the results the researchers have obtained reliably support the conclusion that the vicinity of Ulcinj is a highly potential petroleum area in which the discovery of a large petroleum deposit can be counted on with high confidence if exploration is continued. Within the "Ulcinj" structure, they have gone to a depth of 4,623 meters at the well UK-1, but they are supposed to continue to the designed depth of 5,100 meters. All the explorations have been performed up to proper standards, and during the drilling, in the cores of almost all the wells, they have observed occurrences and traces of asphalt and petroleum in the form of drops and impregnations, and at certain wells they have even recorded significant occurrences of hydrocarbon gas. The figures obtained are extremely worthwhile and represent valuable knowledge instilling great hope that domestic petroleum will soon be found in that area. About $80 million has been invested in the explorations to date. However, another $43 million is needed to continue the explorations, but under the conditions of the sanctions and the economic isolation of the Federal

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Republic of Yugoslavia from the world, it is not possible to obtain this from domestic sources, without the participation of foreign capital, and without purchasing up-to-date equipment that is being used in the world today.

Lumber Industry Accused of Dumping

95BA0248C Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Apr 95 pp 33-34

[Article by Milijana Barjaktarevic: "The Cataclysm Inflicted on the Forests by the War"]

[FBIS Translated Text] The Constitution of the Republic of Serbia states precisely that the national wealth must not be sold off. However, what is happening in practice? There are many indications warning that our past is repeating itself in the least desirable version—laying waste to the forests in order to obtain the minimal gain in foreign exchange, which many competent experts in the forest products industry have been attempting to point out in good time through this newspaper. They made only one mistake. They placed their fears at the time immediately following release from the sanctions, presumably because for many years following World War II the former Yugoslavia realized 60 percent, and occasionally even 80 percent, of its inflow of foreign exchange from exports of forest products. Nevertheless, it was crystal clear that the state was the principal culprit in the background of everything. Transferred to the present, the situation is so confusing that "the forest cannot be seen for the trees."

A Conspiracy of Silence

That is why it is very difficult to obtain an answer to the question of who are the exporters, how much are they exporting, and exactly what prices are they getting? Labels are being pinned on the large export-import systems, large furniture producers that are at the same time involved in exports and imports, the public firm Srbijasume, and private entrepreneurs, but reliable figures that would allow the charge to be made against at least one of those involved along the long chain cannot be obtained from any appropriate level. A complete conspiracy of silence is in effect. At the same time, the whole story has been pushed into the foreground as a very important problem, it seems, by the only altogether reliable information, which has to do with the exporting being done at dumping prices. And this at a time when prices on the world market, because of the latent shortage of wood products, are rising at a very high rate. In 1994, for example, they were 30 percent higher than in the previous year.

Jovan Jovanovic, director of the sector for exporting finished and semifinished products in the commercial system Jugodrvo, says that production in the timber and lumber industry, at least with respect to that part controlled by the state through Srbijasume, does not exceed 50 percent of what used to be the average. In that context, observations to the effect that we previously plundered the forests, but will not now, because we have gotten smart, can also be viewed from another angle. That is, as a consequence of the acute shortage of spare parts and fuel in the timber and lumber industry, which means that lumber production, and lumber is an export item, was not receiving its imports. When the question of prices is raised, they are an altogether intractable item in the opinion of Mr. Jovanovic. In normal times, he said, we knew exactly to whom we should talk and negotiate, about what, and on what basis. There were groupings, divisions of labor, we knew who was qualified and authorized to export and import. Today, all authorities have become vague, and everything is all mixed up. In such a situation it is very difficult to say for sure that certain people are driving down the export prices of other people. There is no way to look into the situation, since because of the embargo, that is, the cessation of payments with Yugoslavia, documentation as to the customer is written up outside our country.

More precisely, we do not appear on the foreign market as the owner of the goods. They say at Jugodrvo that they have been exporting negligible quantities as compared to the period before the sanctions, at a price of $350 to $500 per cubic meter of lumber. And that prices would increase by at least $70 if only there were a disposition with the branch to reach agreement on quantities and prices for export goods.

"Jugodrvo is willing to cooperate with Srbijasume. We even proposed quite specific arrangements to them, but we received no answer at all," Jovanovic said. And he added that all the managers at Srbijasume are former personnel from the timber and lumber industry. They are neither professionally competent nor do they have the power to optimize exports, and so they do it through private operators, but on the basis of compensation with socialized sawmills. At the same time, Mihajlo Stojiljkovic, who heads the Export Department at Srbijasume, rejects a priori all insinuations addressed in this connection to the public firm. What is more, he believes it is improper to attribute cheap exports to Srbijasume, which has not exported a single cubic meter. "However, it is good for these matters to be talked about publicly, because from the moment the public firm was established, they have been accusing us of blocking normal operation of manufacturing plants with our immensely high prices of logs. In actuality, the entire disruption on

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the domestic wood products market has occurred because the prices of logs are extremely low; that is the basic cause of the low prices of our lumber on the foreign market. Last year, that was outside the interest and influence of the public firm, because we had to set the prices of our products in agreement with the republic government, depending on its determination to stabilize Governor Avramovic's program, and at the same time the government had neither the ambition nor perhaps the capability of intervening in the affairs of the wood products industry."

Praise for Boldness

The prices of logs rose 70 percent last year, say representatives of the wood products industry, asking that neither their names nor the name of their firms be mentioned, because in that case they would not get a single cubic meter of wood products from the public firm. Stojiljkovic reacted resignedly to this as yet another case of name-calling in an entire series of improprieties, because last year's prices are still in effect. And he says that an F log of beech (the highest quality industrial wood, used in furniture production), for example, is sold by Srbijasume at 190 dinars per cubic meter, while countries in our immediate vicinity do not go below 500 German marks [DM] and even DM600 per cubic meter.

Of course, this datum alone is sufficient to serve as confirmation of the argument about the widespread phenomenon of selling off the national wealth in timber, if one can speak of wealth at all. And this in light of the fact that its "custodian," by a decision of the government itself, is the public firm. Stojiljkovic, meanwhile, first denies the assertion that production in domestic forests does not exceed 50 percent of the normal average, and says that this does not square with the conception expressed at the same time that the forests are only producing, and Srbijasume is only cutting. Production, he said, increased 6 percent in 1994 (output was 1.4 million cubic meters) over 1993, which was also ambitious. No more is possible. They are limited by the shortage of fuel and spare parts. He then recalled the fact that Srbijasume possesses 50 percent of timber resources. The other half is privately owned. There are also socialized cooperatives and farms that have timberlands that are beyond control of Srbijasume. The forests are also being attacked by wildcat cutting. It is hard to say whether a significant amount of wood is crossing the border through these channels. But even on the assumption that this is happening, that the responsibility is shared equally by socialized firms and the perpetual culprits—the private entrepreneurs—all of this together, in Stojiljkovic's opinion, basically deserves praise for "boldness" in breaking the blockade. When operating conditions in exporting are more difficult than ever, and we, in general, want to survive as a people, calculations are based on minimal capital formation.

In the public firm, nevertheless, they feel that in spite of everything it is no longer tenable for the raw material to be sold below the production cost outside the country. Back on 7 December of last year, then, there was initiative here to establish a consortium (Srbijasume, Jasen, SPIK [expansion unknown], the Wood Combine of Sremska Mitrovica, the Wood Combine of Ivanjica, Kopaonik, and Geneks) that would conduct the organizing effort in a more organized way and would derive proper value from the initial resource. That concept is being implemented at the moment, which means that the implementation is going rather slowly, because the problems are not lightweight. After all, under normal conditions lumber had government support in the form of loans for preparing the goods for export at preferential interest rates, and then credits to cover the export, a 50-percent rebate on shipping costs to the border, and an export incentive running from 10 to 30 percent. At present, the wood products industry lacks working capital. The timber and lumber industry is as much as three months behind in meeting its payroll, because last year they were carrying accounts receivable from customers running between 6 and 8 and even 12 million dinars. Many other changes have also occurred in the meantime. In the old Yugoslavia, there were 13 firms specialized in exporting lumber. Now there are hundreds, and dramatic things are really happening, Stojiljkovic said.

But he feels that stories about lumber being our principal source of foreign exchange after the sanctions are removed are unrealistic. The tension is being increased quite unnecessarily. First, the fact is overlooked that 50 years ago our level of industrial development was minimal. Today, however, we have strong processing facilities in almost all industries, including the furniture industry. The second explanation for the uninformed is that there is a rule that is called the principle of continuity of forest management. What this means is that you cannot and must not take more from the ecosystem than it is capable of producing over a certain period of time. The growth is calculated by mathematical methods, and in order to preserve the basic resource, you are allowed to cut no more than 80 percent of the growth. Because the forests are not very open (forest roads are lacking), Serbia's timber and lumber industry was unable to cut the allowed amount. The most that was cut was 70 percent of the growth. For example, the openness of roads in Serbia is 10 to

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12 km per 1,000 hectares, in Slovenia—20, while the average in Europe is over 30, and in Switzerland it is 70 km. That is why it will not be possible to realize that budgeted amount in Serbia even after the sanctions are removed. In this connection, Srbijasume intends to fight for the same conditions that the mining industry has for its mines, which means charging costs as they do to production, because the state has never had a qualified insight into these problems.

It is also necessary for us to rid ourselves finally of the illusion that Serbia possesses large timber resources. In the old Yugoslavia, Bosnia-Herzegovina had the largest area, Slovenia had the most stable forests, and it was followed by Croatia, while it can be said of Serbia that basically it has an abundance of poor forests. They are characterized on the one hand by low growth and on the other by a high percentage of area grown up in brush. All of this does not mean, however, that we should introduce an embargo on the exporting of lumber. Regardless of what the foreign press writes, this has not been done by any of the countries that are large exporters, Stojiljkovic said, such as the United States, Canada, Sweden, and the countries of the former USSR. What is more, a new world superpower in this area has emerged in our immediate neighborhood—Romania. The primary problem is how in the near future to rise from the present 27 percent of total forest area in Serbia to the scientifically confirmed optimum of 47 percent, how to make exports more optimal for all participants in the chain, and how to avoid destroying the resource. And finally, how to give preference in exports to products at a higher level of processing. Furniture, that is.

Why is not this order of priority applied now, when it is most difficult, and when we are aware that a higher degree of processing yields a larger inflow of foreign exchange? Jovanovic says in this connection that even if we were to send all the lumber to the finishing industry, it still would not change anything in a qualitative sense. After all, the relative proportions of materials in furniture are such that the share of wood is low. Products of the chemical industry, the textile industry, the metal industry, and the glass industry are incorporated into furniture, and the biggest problems are with the chemical industry. We are not competitive on the European market with either quality or prices. On the basis of his own 15-year experience in production, Jovanovic knows, he says, that the higher the level of processing, the larger the losses as well, and they are highest with furniture, one of the reasons being the system of taxation.

Serbian, Montenegrin Economic Systems Diverge

95BA0248B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Apr 95 pp 28-29

[Article by Mijat Lakicevic: "Montenegro and Serbia: Shares"]

[FBIS Translated Text] The other day a rather small Montenegrin delegation consisting of experts of the Agency for Restructuring and Foreign Investments, the Old-Age and Disability Insurance Fund, and a few newsmen set out on a brief (East) European trip. The main destination of the trip was the Czech Republic to study its model (theoretical and practical) of privatization, but on the trip with the same objective they will also stop by the former East Germany, Poland, and probably also Slovenia and Macedonia [The Former Yugoslav Republic of Macedonia]. At the same time, a series of programs on privatization for promotional and educational purposes is being prepared in the Montenegrin media, especially television and radio; its purpose will be to explain to the public the character and purpose of this process, which is neither easy nor painless.

What is happening today with respect to privatization in Serbia? Nothing. The economy, but also the Republic Agency for Appraisal of the Value of Social Capital (the difference in names between the two agencies is not, it seems, accidental), has become entangled in the nonsensical provisions of the Law on Revaluation and its accompanying rules and instructions, and absolutely no progress is being made. It now seems that they are waiting for someone to wave a sword and cut through that entanglement.

Two Interviews

The attitude toward ownership transformation will perhaps be best illustrated by two extensive public statements of people whose domain includes this problem area by the nature of things. A bit more than a month ago Mirko Marjanovic, Serbian prime minister, spoke in a POLITIKA interview (on the occasion of the first anniversary of his term) about many things, but did not mention privatization in a single word. It is possible that a major share of the "blame" for this should go to the newsmen who did not ask him any questions about that (although the fact that they did not, if they did not, speaks quite eloquently in and of itself), but it is not very likely that anyone forbade Prime Minister Marjanovic from saying something about this, provided he wanted to, that is, provided he considered it an important topic, especially with relevance for any future activities and directions of the government.

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An interview which Milo Djukanovic, Montenegrin prime minister, gave to POBJEDA a month after that is different in many respects, although in the meantime nothing so significant had happened that would have changed the general viewpoint and order of priority among the urgent problems of the Yugoslav economy.

Perhaps this can best be seen from the attitude toward Governor Avramovic's Monetary Reconstruction Program, which both governments are of course strongly supporting. On that occasion the Serbian prime minister spoke as follows in his interview in POLITIKA: "Since the beginning of its mandate the National Unity government has bound up its destiny with carrying out the Economic Recovery Program, because the destiny of every citizen of our country is inseparable from that program. It is well known that the stabilization program is not a ready-made formula that can be applied in every phase without adaptation and corrections. This was least of all the case with Professor Avramovic's program, and in collaboration with the NBJ [National Bank of Yugoslavia] governor, the Federal Government, and the Government of Montenegro, we have been supplementing and adapting it, without departing from the basic objectives: subduing inflation, reviving the dinar, recovery of public finance, and development of the economy on a sound market-oriented basis."

In making the case for the Montenegrin Government's attitude toward the program, however, Milo Djukanovic goes a step further: "I particularly agree with that part of the criticism aroused by the slowness in the pace of the process of privatization as an integral part of the program and as its logical extension." And he goes on: "I am convinced that even in the depressive environment in which we live it is possible to go faster in changing property relations. I am still more certain that this is the only way to finally begin in this country to work as much as we should and in the way we should, to utilize the resources we possess, and to enter the world of economically stable and advanced market economies."

In Serbia the halting of privatization is justified in terms of the sanctions, the impossibility of social ownership being appropriately evaluated, and the need to prevent its alleged sell-off at bargain basement prices. However, it is obvious that behind last year's statement by Mihajlo Markovic, chief ideologue of the Socialist Party of Serbia [SPS], that the transition in Serbia had ended, is the view that it actually was not necessary. And in last week's discussion of the Proposed Law on Enterprises in the Economic Council of the SPS Oskar Kovac also repeated his old position that "the assertion that social ownership has no titleholder is inaccurate," because, he said, "the titleholder is the enterprise in whose property capital has been invested."

In a recent visit to Obod in Cetinje, a true industrial giant by Montenegrin standards, something like Zastava in Serbia, Milo Djukanovic repeated the argument that 1995 must be "the year of privatization," and it is also worthwhile quoting the following passage from that interview in POBJEDA: "It is four years now since the Montenegrin Government and other state bodies and agencies affirmed the resolute position that decisive and integral transformation of social ownership is a necessity.... Today, the view is generally accepted that the process of privatization should be conducted at the fastest possible pace."

Dramatic Turnaround

These differences do not date from yesterday. Perhaps even up to the middle of last year it appeared that some features of the conflict would be overcome. After many travails the law on ownership transformation, which was a compromise version of the features familiar at that time in Serbian and Montenegrin legislation, was sent to the Federal Assembly in March. But "in mid-1994 important and dramatic reversals took place in the area of regulating ownership," according to Miodrag Zec. "Because of key conceptual differences between Serbia and Montenegro, there was a withdrawal from the procedure of the federal law on ownership transformation; in the meantime, Montenegro had added a new feature to its own law (with the decision that 10 percent of the value of the firm was to be shared out to the employees), while in Serbia there was a major change of conceptual direction in the institutional regulation of privatization," that is, the Law on Revaluation was adopted (the real name of that document is the Law Amending and Supplementing the Law on Terms and Conditions in Procedure for Transformation of Social Ownership Into Other Forms of Ownership).

Until quite recently, there was some hope, slim to be sure, that the federal law would nevertheless regulate this subject matter, but a month or two ago this was given up, and if the federal law should be adopted, the only thing it would prescribe in practice would be to turn over this area to the republics to regulate as they wish.

Then the Proposed Federal Law on Enterprises saw the light of day and again illustrated—and, one would say, sketched out—the differences in views concerning certain key elements of the economic system. In Serbia—more precisely, in the incumbent party—this law met with approval and was given strong support, virtually just as it is.

The reservations in Montenegro, not only in the opposition, but also in ruling circles, are much greater, and

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we can offer as the best indicator of this the statement of the Montenegrin prime minister in the interview in POBJEDA already mentioned. "The most problematical thing," Milo Djukanovic said, "is that the text seems to suffer from conceptual confusion. At one and the same time it attempts to legislate the present situation with a detailed treatment of the socialized firm and to project a future capitalist society. This already constitutes a major difference from the features of Montenegrin legislation. As you know, the republic law defining the channels of transformation entirely eliminate socialized firms, and by transferring unidentified capital to funds it extinguishes the last particle of social ownership."

It has already been observed in general that the Proposed Law on Enterprises does not correspond equally to all the fundamental documents from which it derives its legal and practical strength. Milan Kovacevic, for instance, says: "The authors of the new federal law on enterprises justify protection of social ownership by saying that social ownership is a constitutional category, but it is not even mentioned in the Federal Constitution. Thus, in their minds the Constitution of Serbia is taken as the source of untouchable categories. Nor is there any mention of social ownership in the Constitution of Montenegro."

The First Furrow

The first crack in the Serbian-Montenegrin conception of the economy appeared about two years ago concerning the free trade zones. At that time, the reader will recall, the idea was born of Montenegro as a kind of tax paradise, probably under the impression and influence of the "Cypriot miracle," whose shelter became the refuge of fleeing Yugoslav businessmen. It was thought, that is, that copying Cyprus would be the fastest way of obtaining the necessary foreign capital.

Even at that time a difference was also obvious in the attitude toward the private sector, which the Montenegrin authorities strongly supported (which did not encounter approval always and everywhere by any means). But the Montenegrin market was, on the other hand, always well-supplied with oil, or at least better supplied than the Serbian market; duty-free shops were going full blast; and the first private bus station, still the only one in Yugoslavia, was opened in Montenegro. The culmination of that wave was certainly the leasing not only of socially owned restaurants and hotels, but also of beaches to private operators. All of this, accompanied by diplomatic games played cleverly by the Montenegrin Foreign Minister Miodrag Lekic, helped to build Montenegro's image of a more open and liberal environment closer to that of the West.

The Montenegrin ideas of free trade zones did not meet with understanding in Serbia, and the game shifted to the terrain of the law on free trade zones, which was being worked on at that time. The Montenegrin objections to the proposed version of the law were above all that it was not sufficiently stimulative to investors, that the procedure for establishing the zones was complicated, and the quota of 50 percent of output for export from it was unnecessary, that the deadlines for the various steps were unrealistically long or short, and so forth, but in the middle of last year the law was adopted in the Federal Assembly. The small-scale customs war on the border of the fraternal republics dates from hyperinflationary 1993, when the police of the respective republics did not allow trucks loaded mainly with food to cross over "there," and those loaded with coal, wood, and similar raw materials "here." That dance has in some fashion continued until today—beginning with the differing electric power rates, and then establishment of the Montenegrin Airline (alongside JAT [Yugoslav Airline], which is "alive") and Serbian intentions to route goods through Thessalonica, ignoring the port of Bar, to Montenegro's attempt to get its own Olympics committee, which the Serbian majority in the assembly of the Yugoslav Olympics Committee rejected out of hand. But all of this could be counted among current economic squabbles and simply a part of economic life. If it is cheaper for someone to send his goods through Thessalonica, then let him do it; if it is more profitable for someone to have his own air carrier, then fine.

What could happen to businessmen preoccupied with these and similar calculations is that they "suddenly" find themselves in two altogether different economic systems: one in which the private firm is dominant and the other in which social ownership is dominant. If it were not a question of two different economic systems, then the Proposed Law on Enterprises would not have devoted an entire section to the socialized firm, and if it were just like any other, that section would not have included an article that accords the state the right and the possibility of monitoring how that firm does business and of intervening if it is not satisfied. What is more, judging by international experience over several decades, this not only would be two different economic systems, but also two worlds, each of which has already shown its capabilities and range.

Serbia

SPO's Kovacevic Condemns UN Hostage-Taking

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[FBIS Transcribed Text] Belgrade, May 30 (TANJUG)—One of Serbia's biggest opposition

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parties, the Serbian Renewal Movement (SPO), on Tuesday called on Bosnian Serbs to release all U.N. hostages and urged the United Nations to refrain from using force in Bosnia.

Party spokesman Ivan Kovacevic told a news conference that 'tying U.N. troops with chains and handcuffs is Pale's (the seat of the Bosnian Serb government) media war against the entire Serb people and the Serbian and Montenegrin mother countries at the moment when we are close to the lifting of the sanctions against Yugoslavia.'

'Pale has, unfortunately, won this media war,' Kovacevic said. He said that after seeing tapes of U.N. troops chained and handcuffed, the world public would have no understanding for the lifting of the sanctions.

After 'another instance, directed by Pale, which shows Serbs as barbarians,' the world is getting more inclined to punish the culprits, Kovacevic said.

He said the Serbian Renewal Movement condemned any use of force and air strikes even under U.N. orders.

Montenegro

Reorganization of Montenegrin Government Expected

95BA0249E Belgrade POLITIKA in Serbo-Croatian 26 Apr 95 p 12

[Article by D.B.: "A Reshuffling of the Government Is Anticipated"]

[FBIS Translated Text] Podgorica, 25 Apr—The Montenegrin Parliament is meeting tomorrow in Podgorica. Prime Minister Milo Djukanovic is expected to propose a reshuffling of the government in that session. There is no reliable knowledge as to which ministers will lose their portfolios. Nor is it certain whether there will be a drop in the number of ministries, or if the replacement of ministers will take place within the existing number.

Aside from the numerous points that are to be debated by the Montenegrin Parliament, whose session will probably last several days, attention is also drawn to the amendment to the Law on Local Self-Government and Judges. According to the government's proposal, in the future opstina presidents would be elected by the people directly, not by the deputies in the opstina assembly, as has been the case up to now. The president of the assembly, then, will not be a deputy, but will be elected to that office by popular vote. The Law on the Courts is being amended. Presiding judges are to get a larger judicial role, and judges may belong to political parties, but may not be members of the executive boards of those parties.

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